

TOWARDS RECOGNIZING AND RECONCILING THE MULTIPLICITY OF VALUES AND INTERESTS IN TRADEMARK LAW

MICHAEL S. MIRELES, JR.*

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* Associate Professor of Law, University of the Pacific, McGeorge School of Law. I am grateful for the helpful comments of Robert Brauneis, Gary Pulsinelli, and several reviewers. I am also thankful for the excellent editorial assistance of the *Indiana Law Review* staff. As always, I am responsible for any errors.

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INTRODUCTION

In the last seventy years, trademark rights have expanded enormously.¹ Many commentators believe this has led to an unjustified increase in the rights and remedies available to trademark owners.² This expansion has been approved and led by trademark owners, Congress, and courts, including the U.S. Supreme Court.³ However, in the last ten years or so, the Supreme Court and Congress have begun attempting to restrain trademark rights,⁴ and trademark law is striving to recognize the multiplicity of values implicated by trademark law and reconcile the interests of mark owners and the public generally—particularly users of marks, consumers, and the competitors of mark owners. This Article attempts to explain this search by exploring the sometimes competing interests of mark holders and the public; trademark policy, including the lack of coherent limits inherent in the consumer search cost theory as a normative tool and other important values that are relevant to trademark law; and the structure of trademark law. Following the lead of recent Supreme Court opinions concerning injunctions in *Winter v. Natural Resources Defense Council, Inc.*⁵ and *eBay Inc. v. MercExchange, L.L.C.*,⁶ this Article also provides proposals for addressing the various values and interests in trademark law.

Some light can be shed on the expansion and contraction of trademark law

1. See Glynn S. Lunney, Jr., *Trademark Monopolies*, 48 EMORY L.J. 367, 369-71 (1999) (explaining how trademark protection has expanded since the middle of the twentieth century).

2. See Robert C. Denicola, *Trademarks as Speech: Constitutional Implications of the Emerging Rationales for the Protection of Trade Symbols*, 1982 WIS. L. REV. 158, 159-60; Rochelle Cooper Dreyfuss, *Expressive Genericity: Trademarks as Language in the Pepsi Generation*, 65 NOTRE DAME L. REV. 397, 398 (1990); Alex Kozinski, Essay, *Trademarks Unplugged*, 68 N.Y.U. L. REV. 960, 973 (1993); Mark A. Lemley, *The Modern Lanham Act and the Death of Common Sense*, 108 YALE L.J. 1687, 1688, 1697-713 (1999); Jessica Litman, *Breakfast with Batman: The Public Interest in the Advertising Age*, 108 YALE L.J. 1717, 1722 (1999); Lunney, *supra* note 1, at 367-68.

3. See Daniel M. McClure, *Trademarks and Competition: The Recent History*, 59 LAW & CONTEMP. PROBS. 13, 13 (1996) (“The recent history of trademark law has shown a trend toward greater protection of trademarks and rejection of most claims that trademarks have anticompetitive effects.”).

4. See David S. Welkowitz, *The Supreme Court and Trademark Law in the New Millennium*, 30 WM. MITCHELL L. REV. 1659, 1660 (2004) (arguing that in four cases since 2000, the Supreme Court has signaled its disapproval with “the expansive view of trademark protection put forth by many lower courts” and that this “stem[s] from the Court’s conviction that trademark law remains an offshoot of unfair competition rather than a subset of intellectual property law”).

5. 129 S. Ct. 365, 375-76 (2008).

6. 547 U.S. 388, 394 (2006).

by examining its somewhat elusive purposes and the structure of trademark law itself. First, this Article examines trademark law theory and the inherent limitations and inconsistencies in the development of trademark doctrine that arise from reliance on the consumer search cost theory as a normative device. The Federal Lanham Act broadly directs two purposes of trademark law: first, to protect producers from unfair competition; and second, to protect consumers from deception.⁷ The Lanham Act thus takes into account the interests of mark owners and consumers. The Supreme Court has expanded on these purposes by adopting the consumer search cost theory,⁸ a theory proposed by Judge Richard Posner and Professor William Landes as a positive theory to explain trademark doctrine.⁹ The consumer search cost theory posits that trademark law is designed to lower the costs of consumers in making decisions to purchase goods and services.¹⁰ For example, trademark law lowers search costs for consumers by preventing potential confusion in the marketplace.¹¹ To the extent that one's use of a mark may be confusingly similar to that of a prior user, the senior user may be able to enjoin the use of the junior user. If this confusion were not prohibited by trademark law, consumers might have difficulty locating a particular desired product or service, and thus, their costs in finding the good or service they want would be raised. Therefore, trademarks facilitate consumer choice and foster our market economy.¹² The benefits of trademarks for consumers include the incentive for mark holders to produce goods and services of a consistent quality¹³ and maintain a certain minimum level of quality because trademarks affix

7. *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 767-68 (1992).

8. *See Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 163-64 (1995).

9. *See* William M. Landes & Richard A. Posner, *Trademark Law: An Economic Perspective*, 30 J.L. & ECON. 265, 268-70 (1987) [hereinafter Landes & Posner, *Trademark Law*]. *But see* Barton Beebe, *The Semiotic Analysis of Trademark Law*, 51 UCLA L. REV. 621, 624-26 (2004) (asserting that economic theory fails to adequately explain trademark doctrine such as distinctiveness and dilution and that semiotic analysis will provide additional insight into trademark law).

10. *See* WILLIAM M. LANDES & RICHARD A. POSNER, *THE ECONOMIC STRUCTURE OF INTELLECTUAL PROPERTY LAW* 167-68 (2003) [hereinafter LANDES & POSNER, *ECONOMIC STRUCTURE*] (describing the consumer search cost theory).

11. *See* Beebe, *supra* note 9, at 677 ("The rationale for anti-infringement protection is currently articulated in the terminology of economics and is said to involve the minimization of search costs and the promotion of consistent levels of product quality."); Landes & Posner, *Trademark Law*, *supra* note 9, at 300-06 (explaining infringement and confusion theories).

12. *See* Margreth Barrett, *Trademarks and Digital Technologies: "Use" on the Net*, 13 NO. 11 J. INTERNET L. 1, 1 (2010) [hereinafter Barrett, *Digital Technologies*] (noting that "[t]rademark rights promote an efficient, competitive marketplace").

13. *See* LANDES & POSNER, *ECONOMIC STRUCTURE*, *supra* note 10, at 167 ("[T]he benefits of trademarks in reducing the cost to consumers of distinguishing among brands of a product require that the producer of a trademarked good maintain a consistent quality of his output, that is, that he make sure that from the consumer's standpoint it really is the same product from unit to unit and time to time.").

responsibility to a single source. However, a focus on the reduction of consumer costs requires an assessment of consumer perception and fails to take into account other values and interests implicated by trademark law—and therein lies the problem.¹⁴ Because mark holders can control consumer perception through advertising and enforcement, they are able to determine the extent of protection their marks may possess.¹⁵ Thus, the consumer search cost theory may not provide adequate limits to trademark law, and relying upon it will continue to facilitate its expansion. Indeed, Professor Mark McKenna has persuasively argued that reframing trademark law as a means to reduce consumer search costs has failed to stop the expansion of new trademark rights.¹⁶

Moreover, there are public interests and values implicated by trademark law that may not be adequately protected by courts. For example, the public has an interest in ensuring that consumers have access to information about goods and services from competing producers. This information includes that which truthfully compares and describes the goods and services of both parties.¹⁷ Thus, trademark law should ensure that competitors have access to information they need to facilitate competition by providing that information to consumers.¹⁸ Another important public interest and value implicated by trademark law is the protection of free speech. This interest strongly resonates with the interest of users of trademarks and other members of the public.¹⁹ Users of trademarks

14. See Mark P. McKenna, *Trademark Use and the Problem of Source*, 2009 U. ILL. L. REV. 773, 821 [hereinafter McKenna, *Trademark Use*] (“[M]odern trademark law, deeply influenced by the search costs rationale, regards consumer confusion as a problem in and of itself. Not surprisingly, consumer understanding therefore pervades trademark law.”).

15. See Mark P. McKenna, *The Normative Foundations of Trademark Law*, 82 NOTRE DAME L. REV. 1839, 1916 (2007) [hereinafter McKenna, *Normative Foundations*] (“Consumer expectations now carry all the weight for those who hope to limit trademark protection, and those expectations have proven almost infinitely pliable. Producers are able to frame just about any argument for broader protection in terms of consumer expectations, which they are in position to influence systematically through marketing. Moreover, once courts and Congress began to expand trademark law and committed it to consumer understanding, expansion became self-reinforcing—broader protection begets consumer expectations of great control, which begets even more protection.”).

16. See *id.*; McKenna, *Trademark Use*, *supra* note 14, at 821.

17. See Barrett, *Digital Technologies*, *supra* note 12, at 1 (“Rights in marks should not prevent competing producers from effectively communicating the nature, qualities, and characteristics of their own products to interested consumers or prevent competitors, consumers, or the media from engaging in critical product critiques and commentary.”).

18. The search cost theory can explain trademark doctrine to the extent that certain defenses, such as the nominative fair use defense or the explicit comparative advertising exclusion for dilution, allow some use of another’s trademark in comparative advertising. See 15 U.S.C. § 1125(c)(3) (2006); *Century 21 Real Estate Corp. v. LendingTree, Inc.*, 425 F.3d 211, 214 (3d Cir. 2005).

19. The interests described as the user interest and competitor interest can also be explained to some extent under the search cost theory. For example, competitors need to allow for the

include those who do not offer competing goods but wish to comment on a particular brand with criticism or use the mark to make some other socially relevant point about another topic.²⁰ Users of trademarks may also have an interest in preventing the protection of a particular trademark by one entity because it may be scandalous or disparaging.²¹ The public also has an interest in ensuring that trademark law does not unnecessarily raise barriers to entry of new firms and that trademark law is not abused to the detriment of the public by extending trademark protection to items that should be in the public domain.²² A rigid application of the search cost theory as an underlying justification for trademark law may underprotect and overprotect the interests of the public—including the consumer, user, and competitor—and the mark owner. This Article reviews these purposes and goals from the perspective of the particular benefited stakeholder.²³

This Article asserts that courts should expressly unpack and account for the interests and values that are implicated by trademark disputes.²⁴ Failure by

provision of additional information that reduces the consumer's costs in making purchasing decisions. The user interest is less straightforward but could be described in the following way under a broad vision of the consumer search cost theory: through protection of free speech by users, the consumer acquires critical information about a producer that may impact the consumer's decision to purchase a product or service. For example, a consumer may discover that a corporation sells products intended for children that are manufactured by companies that employ people who work incredibly long hours, thus impacting workers' ability to make quality products. With that information, the consumer may wish to avoid the risk that a corporation does not adequately ensure that the products it sells are not potentially dangerous and purchase the products he wants from another retailer.

20. See, e.g., Laura A. Heymann, *The Public's Domain in Trademark Law: A First Amendment Theory of the Consumer*, 43 GA. L. REV. 651, 656-58 (2009) (advocating a view of the consumer grounded in autonomy theory, recognizing that "the consumer [should] be left free to make whatever associations she wants with the marks she encounters, even if those associations are not the ones the mark holder would prefer, or not the ones that would be optimal from the perspective of the individual's intellectual or personal development," particularly as against theories of trademark law "that depend in part on the persuasive value of the mark rather than on its source-identifying aspects").

21. See generally *Harjo v. Pro-Football, Inc.*, 50 U.S.P.Q.2d (BNA) 1705 (T.T.A.B. 1999).

22. See generally *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23 (2003); *Fleischer Studios, Inc. v. A.V.E.L.A., Inc.*, No. 09-56317, 2011 WL 631449 (9th Cir. Feb. 23, 2011); Shubha Ghosh, *Dilution and Competition Norms: The Case of Federal Trademark Dilution Claims Against Direct Competitors*, 24 SANTA CLARA COMPUTER & HIGH TECH. L.J. 571 (2008).

23. For example, the protection of consumers from deception benefits the public, and the protection of goodwill benefits the producer, although there is overlap between the purposes. See *infra* notes 76-90 and accompanying text.

24. This notion has been expressed by other commentators who point to the use of judicially crafted defenses to curb excesses in trademark protection; however, at least one commentator has expressed skepticism concerning the realistic development of defenses by a judiciary that is increasingly formalistic. Compare Graeme B. Dinwoodie, *Developing Defenses in Trademark Law*,

courts to account for the interests and values they are balancing and who the interest benefits can result in an expansion of trademark protection based on an unstated (or sometimes stated) desire to protect a mark from free riding without an adequate assessment of other interests that may need consideration.²⁵ The question arises as to where and when courts should assess those interests and values.²⁶ In light of recent Supreme Court cases *Winter*²⁷ and *eBay*,²⁸ this Article suggests that analysis should occur at the preliminary and permanent injunction stage.²⁹

Second, this Article analyzes the structure of the law and how it encourages producers to enforce their marks vigorously against third party uses of their marks so that courts will declare that a mark is valid and/or entitled to a broader scope of protection.³⁰ For example, the strength of the mark in the likelihood of confusion analysis examines evidence of third party usage of a mark.³¹ This encourages mark holders to enforce their marks against third parties to shut down that use. The requirement of fame for dilution also pushes mark holders to reduce third party usage of their marks.³² For example, although a mark may not

13 LEWIS & CLARK L. REV. 99 (2009) (arguing for the development of defenses that take into account values other than those driven purely by consumer confusion concerns), with Michael Grynberg, *Things Are Worse Than We Think: Trademark Defenses in a "Formalist" Age*, 24 BERKELEY TECH. L.J. 897, 901-02 (2009) (arguing that formalist courts are unlikely to expand or develop defenses to address the concerns raised by Professors Dinwoodie and Janis).

25. Cf. Robert G. Bone, *Hunting Goodwill: A History of the Concept of Goodwill in Trademark Law*, 86 B.U.L. REV. 547, 622 (2006) [hereinafter Bone, *Goodwill*] ("Sometimes broad liability may be justified because of the high enforcement costs of tailoring protection to fit information transmission policies more closely. But broad liability should never be justified simply on the ground that trademark law prevents goodwill appropriation. Until this form of justification is eliminated, we cannot hope to achieve a sensible and coherent body of trademark law.").

26. Professor William McGeeveran states that "almost all recent controversial cases protected speech," but the real problem is the chilling of speech by threats of legal action; thus, "the priority should be restructuring the relevant doctrines to reduce the pre-litigation chilling effect." William McGeeveran, *Four Free Speech Goals for Trademark Law*, 18 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 1205, 1206-07 (2008) [hereinafter McGeeveran, *Free Speech*]; see also Pierre N. Leval, *Trademark: Champion of Free Speech*, 27 COLUM. J.L. & ARTS 187 (2004) (arguing that trademark law doctrine effectively protects free speech interests).

27. *Winter v. Natural Res. Def. Council, Inc.*, 129 S. Ct. 365 (2008).

28. *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006).

29. This Article does not argue that trademark law should not continue to account for interests such as free speech in the application of the likelihood of confusion test or any defenses. See *Facenda v. N.F.L. Films, Inc.*, 542 F.3d 1007, 1015-18 (3d Cir. 2008) (considering First Amendment defense); *Lamparello v. Falwell*, 420 F.3d 309, 313-15 (4th Cir. 2005) (discussing defenses to dilution actions and likelihood of confusion test that protect free speech interests). The public interest should still be addressed under those doctrines.

30. See *infra* Part II.B.

31. See *infra* notes 177-86 and accompanying text.

32. See *infra* notes 187-205 and accompanying text.

yet be famous under the Trademark Dilution Revision Act, mark holders³³ are provided an incentive to reduce third party usage by filing infringement actions or sending cease and desist letters to make it more likely that their marks will become famous. In order to avoid genericism, mark holders must also police third party usage of their marks to reduce the chance that a court will find a mark generic.³⁴ In fact, courts have found that mere evidence of policing is probative of whether a mark has become generic.³⁵ Finally, in determining if a mark will receive protection as a descriptive mark with secondary meaning or if a mark is descriptive or suggestive, courts will examine whether competitors are using the mark.³⁶ This may provide a further incentive for mark holders to shut down competitors using a possibly confusingly similar mark.

With the availability of trademark rights, the scope of those rights, and the potential loss of those rights in the partial control of the trademark holder, it is not surprising that trademark owners will push for maintaining their rights and strengthening existing rights.³⁷ Indeed, we want trademark owners to enforce their rights vigorously because, as discussed below, this should protect the public from confusion and enhance the ability of consumers to confidently make choices about what goods and services they wish to obtain. However, if courts are unable to fully appreciate and incorporate the public's interests, then courts will be inclined to continue to expand rights—particularly when more confusion is likely as mark holders change consumers' perceptions about the existence and scope of their rights. This expansion is particularly pernicious in areas involving values such as free speech, which, if not adequately taken into account by courts, may lead to a chilling effect in future cases by risk-averse users.³⁸ Adding to the

33. In referring to “mark holders” or “mark owners,” I am generally including the risk-averse lawyers who counsel these mark holders or owners.

34. See *infra* notes 167-76 and accompanying text.

35. See *infra* notes 167-76 and accompanying text.

36. See *infra* notes 155-66 and accompanying text.

37. Cf. McKenna, *Trademark Use*, *supra* note 14, at 821-22 (“[T]his heavy focus on consumer understanding renders trademark law inherently unstable. Consumers’ expectations naturally evolve as they become more familiar with new commercial contexts or relationships. . . . [L]egal doctrine and consumer expectations feed off each other, creating an endless loop: what consumers know (or think they know) about the law shapes expectations, which then feed back into the law only to influence future expectations.”).

38. Lisa P. Ramsey, *Increasing First Amendment Scrutiny of Trademark Law*, 61 SMU L. REV. 381, 384-85 (2008) (“Protected expression is frequently suppressed or chilled by trademark law because the law’s current built-in First Amendment safeguards, such as the descriptive fair use doctrine, are limited and involve fact-specific determinations that often can only be resolved after discovery at summary judgment or trial—a cost many defendants cannot afford.”); see also McGeeveran, *Free Speech*, *supra* note 26, at 1206-07 (“Considerable anecdotal evidence suggests that the real action occurs outside the courthouse: markholders send cease-and-desist letters and threaten legal action against those using trademarks to facilitate speech, and the recipients frequently capitulate.”). For a discussion of abusive trademark litigation, see K.J. Greene, *Abusive Trademark Litigation and the Incredible Shrinking Confusion Doctrine—Trademark Abuse in the*

problem is that most issues concerning public perception are intensely factual, and thus, they are generally not amenable to early resolution through summary judgment.³⁹ It therefore becomes critically important for courts to explain their reasoning for granting relief against a purported trademark infringer or diluter. Importantly, in an empirical study, Professor Kenneth Port found that the number of reported trademark cases in recent years has decreased substantially while the number of filed trademark cases has increased substantially.⁴⁰ Professor Port argues that the difference could be based on trademark holders forcing alleged infringers and diluters to settle early—trademark extortion.⁴¹ Notably, the United States Patent and Trademark Office has requested “feedback from U.S. trademark owners, practitioners, and others regarding their experiences with litigation tactics, especially those involving an attempt to enforce trademark rights beyond a reasonable interpretation of the scope of the rights granted to the trademark owner.”⁴² The danger of the chilling of activity beneficial to the public is great.

This Article proposes that courts consider the interests of the trademark owner and public, along with other values, at the preliminary injunction stage. This procedure will allow trademarks suits to be disposed of early enough in litigation to reduce defendants’ costs and incentivize the early resolution of suits. This Article also suggests some additional proposals that may tip the balance toward the public over the mark holder. However, these proposals are conservative because we should not tilt too far against the mark holder due to the mark holder’s important role in enforcing the public interest in reducing consumer deception in the market and in business development.

First, courts must define the relative interests of the public and producer and

Context of Entertainment Media and Cyberspace, 27 HARV. J.L. & PUB. POL’Y 609 (2004).

39. See *Clicks Billiards Inc. v. Sixshooters Inc.*, 251 F.3d 1252, 1267 (9th Cir. 2001) (“This case underscores our warning that ‘trial courts disfavor deciding trademark cases in summary judgments because the ultimate issue is so inherently factual.’” (quoting *Levi Strauss & Co. v. Blue Bell, Inc.*, 778 F.2d 1352, 1355 n.5 (9th Cir. 1985))); see also Dinwoodie, *supra* note 24, at 99 (arguing for the development of defenses that take into account values other than those driven purely by consumer deception concerns); cf. Robert G. Bone, *Enforcement Costs and Trademark Puzzles*, 90 VA. L. REV. 2099, 2134-36 (2004) [hereinafter Bone, *Enforcement Costs*] (explaining the rule that presumes confusion where there is a direct competitor and the same mark based on a reduction of “administrative costs and eliminat[ion of] . . . erroneous acquittals and their associated costs”).

40. Professor Port collected reported trademark cases from 1947 to 2005 and noted that “[t]rademark litigation has seen a precipitous drop since 2001.” Kenneth L. Port, *Trademark Extortion: The End of Trademark Law*, 65 WASH. & LEE L. REV. 585, 622 (2008).

41. *Id.* at 632. Another explanation is that infringers and diluters could be forcing trademark owners to settle early.

42. See *Request for Comments: Trademark Litigation Tactics*, U.S. PATENT & TRADEMARK OFFICE, http://www.uspto.gov/trademarks/bullies_survey.jsp (last visited Mar. 22, 2011). The Secretary of Commerce was directed to investigate trademark litigation tactics by Congress. See Trademark Technical and Conforming Amendment Act of 2010, Pub. L. No. 111-146, 124 Stat. 66.

the relevant values in applying the public interest prong when determining whether to issue preliminary and permanent injunctions. The preliminary injunction stage is critical in trademark litigation because it occurs early in the suit, and the denial or grant of the injunction will push parties to settle. If a court is required to consider the public interest and values and balance those interests against the mark owner's interest, the court may deny a preliminary injunction because the public's interest—not necessarily the potential infringer's or diluter's interests—outweighs the mark holder's interest. This outcome may lead to settlement, perhaps using methods such as disclaimers to mitigate consumer confusion.⁴³ There is still a problem with this proposal if many potential infringers/diluters decide to capitulate and change their actions based on a cease and desist letter. However, after a number of decisions are reported that account for the public interest and values relevant to trademark law and deny relief, a potential infringer/diluter may litigate through the preliminary injunction stage and before costly discovery. This Article also argues that determinations concerning permanent injunctive relief should engage in similar balancing.

The next proposal also attempts to address some of the incentives that mark holders have to bring trademark suits in the first instance. In assessments concerning the scope and existence of rights, such as secondary meaning, genericism, strength of the mark, and fame, courts should not consider evidence of policing efforts by mark holders.⁴⁴ This change may provide some dampening effect on mark holders' enforcement efforts. At the very least, mark holders will not have as much of a direct incentive under trademark law itself to send cease and desist letters and file infringement suits. However, because of the nature of expansion of trademark rights based on consumer perception, trademark holders will likely continue to enforce their marks. As discussed below, not all enforcement is unwanted because trademark holders vindicate the public's interest through litigation and in some ways may act as private attorneys general. Indeed, we allocate the costs of litigating trademark matters to the trademark holders—although, as discussed below, it is in their best interest to litigate.

First, this Article provides an overview of the contraction and continued expansion of trademark rights. Second, this Article addresses how the policy and structure of trademark law has resulted in the development of trademark doctrine that is overinclusive. Finally, this Article provides proposals to address the overprotection of trademarks.

I. OVERVIEW OF THE CONTRACTION AND EXPANSION OF TRADEMARK RIGHTS

The ebb and flow of the scope of trademark protection has quickened as courts, Congress, and trademark holders react to new technology, the pressures of globalization, and the increasing importance of the brand in national and international markets.⁴⁵ After Congress enacted the Federal Trademark Dilution

43. See *infra* note 321 and accompanying text.

44. See *infra* notes 335-42 and accompanying text.

45. See, e.g., Jerre B. Swann, Sr. et al., *Trademarks and Marketing*, 91 TRADEMARK REP.

Act of 1995,⁴⁶ the Supreme Court restricted the availability of that antidilution law.⁴⁷ Congress, in turn, clarified and attempted to address ambiguities within the Federal Trademark Dilution Act of 1995 by passing the Trademark Dilution Revision Act of 2006 (TDRA).⁴⁸ In part, the TDRA cabined the rights of trademark holders by limiting antidilution protection to a small group of powerful marks and adding specific defenses to dilution.⁴⁹ However, at the same time, the TDRA provided that actual dilution was not required for injunctive relief or damages and that a tarnishment-based action was explicitly available under federal law.⁵⁰ Similarly, with trade dress, lower courts (with the apparent approval of the Supreme Court) began to apply trade dress protection expansively, extending its coverage to designs that could inhibit competition rather than promote it.⁵¹ The Supreme Court reacted by restricting the availability of trade dress protection for product design to limited circumstances.⁵² The Supreme Court further attempted to limit the scope of trade dress protection by clarifying the functionality doctrine and the impact of utility patents on the functionality analysis.⁵³ When some lower courts restrictively applied the classical fair use defense, the Supreme Court responded by expanding the scope of the defense.⁵⁴ Mark owners responded to inadequacies in the protection of their marks under then-current law by stretching trademark doctrine

787, 807 (2001) (“[S]trong brands . . . (i) allow access to consumers’ minds; (ii) make advertising less expensive or more impactful (or both); (iii) enable a manufacturer to communicate more directly with a consumer, cushioning any vagaries of distribution; (iv) assist in attaining channel power; (v) provide a more efficient and credible means of extending into related goods, and give rise to licensing opportunities; (vi) serve as certificates of ‘authenticity’; (vii) afford resilience; and (viii) constitute an asset—brand equity—that is frequently a company’s most valuable single property.”).

46. Federal Trademark Dilution Act of 1995, Pub. L. No. 104-98, 109 Stat. 985 (codified as amended at 15 U.S.C. § 1125(c) (2006)). Although several states have enacted dilution laws, this Article is primarily concerned with trademark rights under federal law.

47. *See Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418, 434 (2003) (requiring a demonstration of actual dilution and casting doubt on the existence of the tarnishment cause of action under the Federal Trademark Dilution Act).

48. Trademark Dilution Revision Act of 2006, Pub. L. No. 109-312, 120 Stat. 1730 (codified as amended at 15 U.S.C. § 1125(c)).

49. 15 U.S.C. § 1126(c).

50. *Id.*

51. *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 775 (1992).

52. *Wal-Mart Stores, Inc. v. Samara Bros., Inc.*, 529 U.S. 205, 215-16 (2000); *see Bone, Enforcement Costs*, *supra* note 39, at 2155-82 (criticizing the protection of product design trade dress, even with secondary meaning.).

53. *TrafFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 30-33 (2001). Courts are still experiencing difficulty in applying the functionality doctrine. *See Amy B. Cohen, Following the Direction of TrafFix: Trade Dress Law and Functionality Revisited*, 50 IDEA 593 (2010) (noting circuit splits on functionality doctrine post-*TrafFix*).

54. *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111, 123 (2004).

to address cybersquatting;⁵⁵ Congress subsequently responded with an attempt to provide specific relief for mark holders in the cybersquatting context.⁵⁶

For other arguable expansions in the rights of mark holders, the Supreme Court and Congress have not fully responded. And these expansions have marched on. In addition to developing new theories such as post-sale, initial interest, and reverse confusion,⁵⁷ courts have expanded confusion-based theories of liability to related goods and services instead of restricting liability to competing goods and services.⁵⁸ Mark owners can obtain incontestability status,⁵⁹ limiting the assertion of certain defenses against a mark.⁶⁰ Mark owners can reserve a mark through an intent-to-use application, arguably limiting the importance of the concept of “use” in American trademark law as a way to allocate ownership of trademark rights.⁶¹ Mark owners can obtain constructive nationwide rights through federal registration on the Principal Register.⁶² Mark

55. See, e.g., *Panavision Int'l, L.P. v. Toeppen*, 141 F.3d 1316, 1327 (9th Cir. 1998).

56. Anticybersquatting Consumer Protection Act, Pub. L. No. 106-113, 113 Stat. 1501 (1999) (codified as amended in scattered sections of 15 U.S.C.).

57. See *infra* notes 246-72 and accompanying text.

58. *Yale Elec. Corp. v. Robertson*, 26 F.2d 972, 974 (2d Cir. 1928); *Aunt Jemima Mills Co. v. Rigney & Co.*, 247 F. 407, 410-12 (2d Cir. 1917); see also Mark P. McKenna, *Testing Modern Trademark Law's Theory of Harm*, 95 IOWA L. REV. 63, 76-79, 97-115 (2009) [hereinafter McKenna, *Theory of Harm*] (discussing conceptual shift from recognizing infringement between competing goods and services to non-competing goods and services and marketing literature concerning brand extension). Congress arguably affirmed this expansion by modifying the federal Lanham Act in 1962. See *infra* notes 273-77.

59. 15 U.S.C. §§ 1065, 1115(b) (2006).

60. If a mark has been on the Principal Register for at least five years, it may obtain incontestability status upon application by the mark holder. *Id.* § 1065. Once a mark is incontestable, many defenses to infringement may be foreclosed. See *Park 'N Fly, Inc. v. Dollar Park & Fly, Inc.*, 469 U.S. 189, 197-201 (1985). Indeed, a mark holder can sue for infringement and use incontestability status in an offensive way by keeping a potential infringer from raising the defense that a mark is descriptive and never should have been registered. See *id.* at 197-98. Incontestability status is viewed as “quieting title” to a mark, but it instead may harm competition by not allowing other mark holders to use descriptive marks or at least deterring them from using those marks. Incontestability status may overprotect marks beyond what is needed under a consumer search cost theory, and it may require a basis under an anti-free riding principle; however, that may not be as defensible as a basis for trademark protection under the consumer search cost theory. See *infra* notes 82-90, 119-20 and accompanying text. For two critiques of incontestability, see generally Suman Naresh, *Incontestability and Rights in Descriptive Trademarks*, 53 U. CHI. L. REV. 953 (1986) and Kenneth L. Port, *The Illegitimacy of Trademark Incontestability*, 26 IND. L. REV. 519 (1993).

61. 15 U.S.C. § 1051(b). For additional discussion, see Stephen L. Carter, Comment, *The Trouble with Trademark*, 99 YALE L.J. 759, 781-85 (1990).

62. 15 U.S.C. §§ 1072, 1115(a). For additional discussion, see Carter, *supra* note 61, at 788-95.

holder rights have also expanded because of the erosion of the *Dawn Donut*⁶³ rule addressing the availability of injunctive relief between geographically remote users where consumer confusion is unlikely.⁶⁴ Mark owners have benefited from the dismantling of the “use in commerce” requirement for trademark infringement.⁶⁵ Trademark holders can license trademarks with very limited evidence of actual quality control.⁶⁶ Trademark owners can also obtain so-called “merchandising rights” and perhaps even drive the scope of their own protection through enforcement actions and by directing consumer perception through advertising.⁶⁷ In sum, the subject matter of trademark protection has continued to expand.⁶⁸ And the expansion of the protection for trademarks is likely to continue unabated.

II. THE POLICY AND STRUCTURE OF TRADEMARK LAW

This section reviews the policy underlying trademark law and explains how

63. *Dawn Donut Co. v. Hart's Food Stores, Inc.*, 267 F.2d 358, 360 (2d Cir. 1959) (holding that a mark holder was not entitled to relief when the other party was in a “separate trading area[]” and no “present likelihood . . . [of expanding into owner's] market” area existed).

64. See Robert C. Cumbow, *Use Is the New Protectability, Dawn Donuts Are Still Hot This Season, and Other Trademark Issues*, 1.4 LANDSLIDE 20 (2009).

65. See *Rescuecom Corp. v. Google Inc.*, 562 F.3d 123, 127-31 (2d Cir. 2009); Stacey L. Dogan, *Beyond Trademark Use*, 8 J. ON TELECOMM. & HIGH TECH. L. 135, 136 (2010) (noting that post-*Rescuecom*, “[i]n the Second Circuit, at least, the trademark use requirement for infringement is all but dead”); Stacey L. Dogan & Mark A. Lemley, *Trademarks and Consumer Search Costs on the Internet*, 41 HOUS. L. REV. 777, 780 (2004) [hereinafter Dogan & Lemley, *Search Costs*] (noting recent decisions where courts have expanded the concept of trademark “use” in the infringement context “to include . . . [alleged infringers who] did not even arguably offer their own products or services under the mark”).

66. See *infra* notes 221-23 and accompanying text.

67. Cf. Stacey L. Dogan & Mark A. Lemley, *The Merchandising Right: Fragile Theory or Fait Accompli?*, 54 EMORY L.J. 461, 485-86 (2005) [hereinafter Dogan & Lemley, *Merchandising Right*] (“It is possible that consumers have come to expect that San Francisco Giants jerseys are licensed by the Giants, not because they serve a brand-identifying function but simply because the law has sometimes required such a relationship.”); Lemley, *supra* note 2, at 1708 (noting the same effect).

68. This expansion has occurred in part because of the emphasis of trademark law on the consumer search cost theory. Because a consumer—any human—can use almost anything as a symbol or device to indicate source, the expansion of trademark law to include various types of trade dress such as product design, color, sounds, and smells is not surprising. Indeed, recently, color alone has received protection upon a showing of secondary meaning. See *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 174-75 (1995) (holding that a trademark holder has the ability to create trademark rights in a color by manipulating the perceptions of consumers through the creation of acquired distinctiveness). For a criticism of the expansion of trademark protection to include color, see generally Ann Bartow, *The True Colors of Trademark Law: Greenlighting a Red Tide of Anti Competition Blues*, 97 KY. L.J. 263 (2009).

it fails to provide adequate limitations on the rights available to mark holders. It further analyzes how the structure of trademark law itself, given the focus of trademark law on consumer perception, results in the vigorous enforcement and policing of trademark rights by trademark holders. These two problems have enabled the expansion of trademark rights against a background of new technology such as the Internet, globalization, and the increased importance and value of the brand.

A. *The Policy of Trademark Law*

This section generally discusses the consumer search cost theory and points out some problems with relying upon consumer perception to create trademark doctrine. This section also discusses some of the interests and values that courts should expressly consider in deciding whether to issue a preliminary or permanent injunction.

1. *Consumer Search Cost Theory and Consumer Perception.*—

a. *Consumer search cost theory.*—The Lanham Act⁶⁹ is intended to serve two purposes with respect to trademark law: the protection of consumers from deception and the protection of mark holders from unfair competition.⁷⁰ The dominant view of the purpose of trademark law is the law and economics approach: the reduction of consumer search costs.⁷¹ The Supreme Court has recently stressed the importance of trademarks in reducing consumer search costs,⁷² which can lead to an incentive to produce products of consistent quality.⁷³

69. Pub. L. No. 79-489, 60 Stat. 427 (codified as amended in sections of 15 U.S.C.).

70. *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 767-68 (1992).

71. See Landes & Posner, *Trademark Law*, *supra* note 9, at 268-70.

72. *Qualitex Co.*, 514 U.S. at 163-64; see also *Union Nat'l Bank, Laredo v. Union Nat'l Bank, Austin*, 909 F.2d 839, 844 (5th Cir. 1990) (referencing a purpose of trademark law as reducing consumer costs and deterring free riders); LANDES & POSNER, *ECONOMIC STRUCTURE*, *supra* note 10, at 168 (“The value of a trademark to the firm that uses it to designate its brand is the saving in consumers’ search costs made possible by the information that the trademark conveys or embodies about the quality of the firm’s brand. The brand’s reputation for quality and thus the trademark’s value depend on the firm’s expenditures on quality, service, advertising, and so on.”). Interestingly, most courts do not refer to the reduction of consumer search costs as a primary goal but focus on protecting consumers from deception and ensuring that mark holders realize the benefit from the investment in their goodwill. Both of those goals are generally consistent with the consumer search cost theory.

73. *Qualitex Co.*, 514 U.S. at 163-64. The reduction of consumer search costs can lead to the development of quality products. *Id.* at 164. However, it is more accurate to state that it leads to the development of “consistent quality.” See LANDES & POSNER, *ECONOMIC STRUCTURE*, *supra* note 10, at 168 (“When a brand’s quality is inconsistent, consumers learn that the trademark does not enable them to relate their past to their future consumption experiences; the trademark does not reduce their search costs; they are unwilling to pay more for the branded than for the unbranded good; and so the firm will not earn a sufficient return on its expenditures on promoting the trademark to justify making them.”).

The Supreme Court has also expressed concerns that trademark law is not used in anticompetitive ways, such as inhibiting the ability of new entrants to the market to compete effectively.⁷⁴ While the consumer search cost theory is attractive because it explains much of trademark doctrine, it fails to provide meaningful limits to trademark law because it is based on consumer perception—which is largely under the control of the mark owner.⁷⁵

The consumer search cost theory is apparently primarily concerned with the consumer, although it also protects the trademark owner's interest to a limited extent. This theory posits that trademark law should serve to reduce the costs of consumers in making purchasing decisions by preventing deception and confusion⁷⁶ or (some might argue) by preventing the whittling away of the distinctiveness or tarnishment of a mark.⁷⁷ Legal protection for trademarks thus fosters our market economy by allowing consumers to confidently (and very quickly) select or avoid the goods and services that they have previously enjoyed or disliked.⁷⁸ This provides an incentive to trademark owners to produce goods

Some marks may purposefully signify a lower quality (and perhaps less expensive) product, and others may signify a higher quality (although more expensive) product. So, importantly for the consumer, what trademark law ably supplies is an indication that goods are of the same quality—that he will get what he had before. Trademarks also affect quality by serving to affix responsibility, for example, for a defective good. This provides an incentive to provide a certain level of quality.

74. Two Supreme Court cases—*Two Pesos* and *Wal-Mart Stores v. Samara Bros.*—provide examples of the Court's concern with new entrants. In *Two Pesos*, the Court expressed concern with the ability of new entrants to protect the development of goodwill through the availability of protection for inherently distinctive trade dress. *Two Pesos*, 505 U.S. at 775. In *Wal-Mart Stores*, the court pointed to the ability of established mark holders to use anticompetitive "strike suits" to threaten new entrants to the market with trade dress actions based on inherently distinctive product design. *Wal-Mart Stores, Inc. v. Samara Bros., Inc.*, 529 U.S. 205, 213-14 (2000). In *Two Pesos*, the Court appeared to sanction the protection of product design and packaging trade dress as potentially inherently distinctive. See *Two Pesos*, 505 U.S. at 770. In *Wal-Mart Stores*, however, the court restricted trade dress protection for product design with established acquired distinctiveness. *Wal-Mart Stores*, 529 U.S. at 212. For a discussion of competition norms in trademark law, see generally Ghosh, *supra* note 22, at 572.

75. McKenna, *Normative Foundations*, *supra* note 15, at 1916.

76. See LANDES & POSNER, *ECONOMIC STRUCTURE*, *supra* note 10, at 167 ("To perform its naming function a trademark or brand name . . . must not be duplicated.").

77. Some do not believe that the consumer search cost theory provides an adequate basis for dilution. See *infra* notes 237-45 and accompanying text. However, for simplicity at this point, I assume that consumer search cost theory does support some legal protection for blurring-type dilution. For a discussion of blurring-type dilution, see *infra* Part II.B.4.

78. See Landes & Posner, *Trademark Law*, *supra* note 9, at 270 ("The value of a trademark is the saving in search costs made possible by the information or reputation that the trademark conveys or embodies about the brand (or the firm that produces the brand). . . . Once the reputation is created, the firm will obtain greater profits because repeat purchasers and word-of-mouth references will generate higher sales and because consumers will be willing to pay higher prices for

of a consistent quality.⁷⁹ Thus, the consumer search cost theory appears to be primarily concerned with the protection of consumers first, and the protection of goodwill is subordinated to that concern. As a result, we rely on the producer to protect its goodwill when threatened by bringing trademark suits and thus protect the public through the reduction of consumer confusion and dilution. Accordingly, to some extent, the interests of the producer and the consumer are aligned.⁸⁰ The producer will enforce its trademark rights if there is a likelihood of confusion and dilution and, thus, harm to goodwill.⁸¹ However, if there is no clearly actionable consumer confusion or dilution, then the consumer search cost theory may not provide a very effective rationale for the legal protection of trademarks in all circumstances. In that case, an additional theoretical basis must be asserted to support the legal protection of trademarks beyond confusion or dilution—such as preventing free riding or ensuring that there is an adequate incentive to invest in the creation of marks themselves.⁸² That theory must

lower search costs and greater assurance of consistent quality.”); *see also* LANDES & POSNER, ECONOMIC STRUCTURE, *supra* note 10, at 167 (“Rather than reading the fine print on the package to determine whether the description matches his understanding of brand *X*, or investigating the attributes of all the different versions of the product (of which *X* is one brand) to determine which one is brand *X*, the consumer will find it much less costly to search by identifying the relevant trademark and purchasing the corresponding brand.”).

79. *See* LANDES & POSNER, ECONOMIC STRUCTURE, *supra* note 10, at 167 (“[T]he benefits of trademarks in reducing the cost to consumers of distinguishing among brands of a product require that the producer of a trademarked good maintain a consistent quality of his output, that is, that he make sure that from the consumer’s standpoint it really is the same product from unit to unit and time to time.”).

80. *See* *Levi Strauss & Co. v. Genesco, Inc.*, 742 F.2d 1401, 1403 (Fed. Cir. 1984) (“Like all good laws, those relating to trademarks are primarily focused on the public interest. The law looks to the pocketbook interests of trademark owners, rather than to a government agency, as the genesis of enforcement efforts, and to the common interest of the trademark owner and the public in the prevention of purchaser confusion.”); Glynn S. Lunney, Jr., *Trademarks and the Internet: The United States’ Experience*, 97 TRADEMARK REP. 931, 932 (2007) (“[W]ith classic source confusion, where company *A* uses company *B*’s trademarks to sell its products in a manner that leads ordinarily prudent consumers to buy the products of company *A* believing they were made by company *B*, an injunction both protects consumers from confusion and vindicates the trademark owner’s legitimate interests in its marks.”).

81. *See* Vincent Chiappetta, *Trademarks: More Than Meets the Eye*, 2003 U. ILL. J.L. TECH. & POL’Y 35, 43 (noting that individual consumers are “an unsatisfactory vehicle for policing the integrity of marketplace signals . . . [because of the] minimal interest of any individual and the decentralized nature of the harm” and that we therefore give “the first seller/user of a mark the right to prevent confusingly similar subsequent adoptions. The resulting ‘ownership’ permits trademark law to harness the seller/user’s self-interest in avoiding competition as the mechanism for ensuring enthusiastic attention to threats to the market information system.”). Another choice would be complete reliance on the government to enforce marks.

82. At least three commentators have attempted to justify the protection of trademarks under an investment and/or protection against free riding rationale. *See id.* at 37-38 (proposing an

recognize and support some value in the mark or the goodwill behind the mark—independent from the search cost theory—and that value must outweigh the potential harms to competition from over-enforcing trademarks by preventing price competition and the entry of competitors.⁸³

From the producer perspective, a theory divorced from consumer search cost that provides theoretical support for broader trademark protection is attractive, given the importance and value of the brand in a global marketplace.⁸⁴ With market values of brands in the billions, it is not surprising that producers vigorously protect and defend their marks.⁸⁵ Indeed, some of the expansion in trademark doctrine can be attributed to an aggressive assertion of trademark rights by producers.⁸⁶ Additionally, there is a historical basis for enforcing trademarks rights primarily as a means to prevent the diversion of sales, thus protecting producer interests—not protecting the consumer interest.⁸⁷ However,

investment/encouragement rationale for trademarks in the context of the modern brand); David J. Franklyn, *Debunking Dilution Doctrine: Toward a Coherent Theory of the Anti-Free-Rider Principle in American Trademark Law*, 56 HASTINGS L.J. 117, 117 (2004) (arguing for a dilution action based on preventing free riding); Simone A. Rose, *Will Atlas Shrug? Dilution Protection for “Famous” Trademarks: Anti-Competitive “Monopoly” or Earned “Property” Right?*, 47 FLA. L. REV. 653, 663 (1995) (pointing out that antidilution rights are based on an earned property right theory). *But see* Wendy J. Gordon, *On Owning Information: Intellectual Property and the Restitutionary Impulse*, 78 VA. L. REV. 149, 157 (1992) (“[T]he potential free riders—the users, copyists, and adapters—are not mere parasites. Many are creators themselves. They may reach markets different than those reached by the original creators, or they may bring new perspective, reduced cost, special expertise, deeper insights, or innovative technology to the exploitation and adaptation of established works.”); William P. Kratzke, *Normative Economic Analysis of Trademark Law*, 21 MEMPHIS ST. U. L. REV. 199, 220-21 (1991) (“Promoting hard work for its own sake and deterring ‘free-riding’ for its own sake eventually injure interbrand competition. An inviolable property right to use a particular trademark in whatever manner eventually impedes interbrand competition by denying others the opportunity to promote their competitive interests while not promoting the competitive interest of the property holder. The competitive interest of all competitors is to benefit consumers.”).

83. This Article argues that the balancing can take place under the public interest prong of the test for the issuance of a preliminary and permanent injunction. Professor Bone states that some trademark expansion can be explained by examining the costs of enforcing trademark law, “including the administrative costs of adjudicating trademark lawsuits and the error costs of over- and under-enforcing trademark rights.” Bone, *supra* note 39, at 2101 (specifically examining product design trade dress and infringement liability expanded to include related products and services).

84. See Chiappetta, *supra* note 81, at 38.

85. See *Best Global Brands*, INTERBRAND, <http://www.interbrand.com/en/best-global-brands/Best-Global-Brands-2010.aspx> (last visited Mar. 24, 2011) (explaining that some brands are valued in the billions of dollars).

86. See *infra* Part II.C.

87. See McKenna, *Normative Foundations*, *supra* note 15, at 1841 (arguing that historically trademark law was not concerned with protecting consumer interests, but “protect[ing] producers

Professor Robert Bone has examined the concept of goodwill in depth and rejects a “general rule, principle, or presumption prohibiting free riding on goodwill.”⁸⁸ Moreover, as discussed below, because of the structure of trademark law and its focus on consumer perception, it may be unnecessary to provide trademark owners with more protection because they already control the scope of their protection under a consumer search cost theory.⁸⁹ Thus, to provide meaningful limits, courts developing trademark doctrine and enforcing trademark rights need to expressly take into account other values and interests against those of the producer to avoid the implicit (and sometimes explicit) sole reliance on prohibiting free riding.⁹⁰

b. Consumer perception.—Consumer search cost theory is primarily based on a consideration of consumer perception, and thus, the development of trademark doctrine has followed those considerations.⁹¹ For example, a mark can include anything that a consumer may attach significance or meaning to, which can include any letter, name, product design, or even a color or scent.⁹² There are

from illegitimate diversions of their trade by competitors”). *But see* Bone, *Goodwill*, *supra* note 25, at 560-61 (“In nineteenth century trademark law . . . the two goals [of protecting sellers from loss due to deceptive practices and protecting the public from deception] were mutually consistent and reinforcing—trademark law gave remedies to sellers and in so doing helped both sellers and consumers.”).

88. *See* Bone, *Goodwill*, *supra* note 25, at 621 (“What is problematic is the adverse effect on the mark’s capacity to communicate information to the market. One must balance this cost against the benefit of allowing the use, and the legal rights that will result will necessarily be more limited than those misappropriation alone would justify.”). The definition of goodwill is elusive and depends on the context. *See* LOUIS ALTMAN & MALLA POLLACK, CALLMANN ON UNFAIR COMPETITION, TRADEMARKS AND MONOPOLIES § 1:11 (4th ed. 2009).

89. *See* Chad J. Doellinger, *A New Theory of Trademarks*, 111 PENN. ST. L. REV. 823, 823-24 (2007) (criticizing the consumer search cost theory as a normative theory for trademark law and proposing that trademark law focus on ensuring fair business competition). Although Professor Landes and Judge Posner used search cost theory to explain trademark law, commentators view the reduction of search costs as a normative goal of trademark law. *See* Landes & Posner, *Trademark Law*, *supra* note 9, at 268-70; *cf.* Dogan & Lemley, *Search Costs*, *supra* note 65, at 838 (“Courts must be mindful . . . of the fundamental normative goal that underlies . . . [longstanding trademark rules]—the reduction of consumer search costs.”).

90. *See* Dinwoodie, *supra* note 24, at 99 (arguing for the development of defenses that take into account values other than those driven purely by consumer confusion concerns). The question becomes how one can take into account those interests and whether one can do so early enough to facilitate the early resolution of suits.

91. Some commentators have noted this phenomenon. *See supra* note 67 and accompanying text; Kratzke, *supra* note 82, at 209 (“The search cost of a consumer who sees the same trademark used across different product lines by different sellers may or may not increase depending upon the consumer’s perceptions concerning such use. These perceptions affect the role that trademarks might play in a market.”); McKenna, *Normative Foundations*, *supra* note 15, at 1916.

92. 15 U.S.C. § 1127 (2006) provides:

The term “trademark” includes any word, name, symbol, or device, or any combination

limiting rules as to what can serve as a trademark, but these rules are also often based upon how a consumer perceives the mark.⁹³

The requirement of distinctiveness for trademarks is rooted in the idea that there are some symbols that consumers will realize are source-identifying and some that they will realize are not.⁹⁴ For example, consumers will understand that descriptive words, color, or product design may not necessarily be source-identifiers, but they may instead be there for some aesthetic or descriptive purpose.⁹⁵ The law recognizes, however, that over time, with a significant investment of resources, a producer can change the way consumers perceive descriptive words, color, and product design, leading them to attach a “secondary

thereof—

- (1) used by a person, or
- (2) which a person has a bona fide intention to use in commerce and applies to register on the principal register established by this chapter, to identify and distinguish his or her goods, including a unique product, from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown.

Id. That section also provides a similar definition for service marks. *Id.*

93. Professor Dinwoodie ably described the role of trademark law and consumer perception, stating, “[S]hould trademark law be structured *reactively* to protect whatever consumer understandings or producer goodwill develops, or should it *proactively* seek to shape the ways in which consumers shop and producers sell or seek to acquire rights, thus shaping how the economy functions?” Graeme B. Dinwoodie, *Trademarks and Territory: Detaching Trademark Law from the Nation-State*, 41 HOUS. L. REV. 885, 889-90 (2004) (emphases added).

94. See *Zatarains, Inc. v. Oak Grove Smokehouse, Inc.*, 698 F.2d 786, 790-92 (5th Cir. 1983), *abrogated by* *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111 (2004); see also *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 9 (2d Cir. 1976). In a recent study challenging the current legal approach to distinctiveness, Professors Lee, DeRosia, and Christensen, using theoretical tools from the consumer psychology field, hypothesize that “consumers will rely primarily on non-linguistic visual cues (e.g., the location and size of the mark as displayed on a product package) rather than the mark’s semantic meaning.” See Thomas R. Lee et al., *An Empirical and Consumer Psychology Analysis of Trademark Distinctiveness*, 41 ARIZ. ST. L.J. 1033, 1038 (2009). The commentators found, in a series of empirical studies, that “descriptive marks are no less source-indicating than suggestive, arbitrary, and fanciful marks . . . [and] that it is the non-lexical cues of typical trademark use (e.g., the location and size of the mark) that cause consumers to find descriptive marks to be source-indicating.” *Id.* at 1038 (internal citation omitted). Based on their research, the commentators propose the abandonment of “the *Abercrombie* dichotomy between ‘inherently distinctive’ and ‘non-inherently distinctive’ word marks, eliminating (at the threshold protectability stage) the longstanding categories of descriptive, suggestive, arbitrary, and fanciful trademarks . . . [and] all non-generic word marks would be eligible for protection so long as they satisfy the ‘trademark use’ requirement.” *Id.* (emphasis added).

95. See *Wal-Mart Stores, Inc. v. Samara Bros., Inc.*, 529 U.S. 205, 212 (2000); *Abercrombie & Fitch Co.*, 537 F.2d at 9-10.

meaning” to a particular descriptive word, color, or product design.⁹⁶ Conversely, genericide expressly recognizes that over time, the understanding of consumers about a particular mark may change, and the mark may no longer be protected.⁹⁷ Furthermore, the touchstone test for infringement—the likelihood of confusion test—attempts to measure whether there is likely to be confusion amongst an appreciable number of consumers.⁹⁸ Infringement is troubling because it includes not just confusion as to source, but confusion as to sponsorship or affiliation—perhaps broader theories of confusion,⁹⁹ which are also judged from the perspective of the consumer.¹⁰⁰ The scandalousness and disparagement provisions are also examined from the consumer’s or relevant group’s view.¹⁰¹

Nominative fair use and classical fair use also incorporate elements of consumer perception. In nominative fair use, a court may assess whether there is sponsorship or association confusion from the perspective of the consumer.¹⁰² The presence or likelihood of consumer confusion may inform whether a particular use is in good faith under the classical fair use inquiry.¹⁰³ Also, the possible protection of geographic terms is sometimes based upon whether consumers would think there is a goods/place association with a mark.¹⁰⁴ In dilution, courts may inquire whether consumers believe a potential diluting use is likely to cause tarnishment or blurring, and evidence of actual tarnishment or blurring is relevant in evaluating the likelihood of its existence.¹⁰⁵ Finally, the deceptiveness of a mark is also determined from the perspective of the consumer, including whether the purported deception is material to the consumer.¹⁰⁶

In connection with the notion that we rely on trademark holders to uphold the public’s interest through private litigation, it becomes clearer that trademark

96. *Zatarains*, 698 F.2d at 791.

97. *See* *Murphy Door Bed Co. v. Interior Sleep Sys., Inc.*, 874 F.2d 95, 101 (2d Cir. 1989).

98. *See* *Daddy’s Junky Music Stores, Inc. v. Big Daddy’s Family Music Ctr.*, 109 F.3d 275, 280 (6th Cir. 1997).

99. For a critical discussion of confusion based on sponsorship or affiliation as a basis for trademark infringement, see Mark A. Lemley & Mark McKenna, *Irrelevant Confusion*, 62 STAN. L. REV. 413 (2010).

100. *See infra* notes 274-76 and accompanying text.

101. *See generally* *Harjo v. Pro-Football, Inc.*, 50 U.S.P.Q.2d (BNA) 1705 (T.T.A.B. 1999).

102. *See* *Toyota Motor Sales, U.S.A., Inc. v. Tabari*, 610 F.3d 1171, 1176 (9th Cir. 2010); *Century 21 Real Estate Corp. v. LendingTree, Inc.*, 425 F.3d 211, 218 (3d Cir. 2005); *New Kids on the Block v. News Am. Publ’g, Inc.*, 971 F.2d 302, 308 (9th Cir. 1992).

103. *KP Permanent Make-Up, Inc. v. Lasting Impressions I, Inc.*, 543 U.S. 111, 123 (2004) (“It suffices to realize that our holding that fair use can occur along with some degree of confusion does not foreclose the relevance of the extent of any likely consumer confusion in assessing whether a defendant’s use is objectively fair.”).

104. *In re Nantucket, Inc.*, 677 F.2d 95, 99-101 (C.C.P.A. 1982).

105. *See, e.g.*, 15 U.S.C. § 1125(c)(2)(B)(vi) (2006).

106. *See In re Budge Mfg. Co.*, 857 F.2d 773, 775 (Fed. Cir. 1988).

holders tend to initiate actions to the extent consistent with their desire to protect their marks. These enforcement actions may influence how a consumer perceives marks and thus affect the scope of protection of the marks.¹⁰⁷ Indeed, mark holders have an incredible amount of control over consumer perception by advertising; they make the choice (at least initially) of what images and information are associated or not associated with marks.¹⁰⁸ The creation of a label announcing a licensing relationship between producers can expand rights once consumers understand that entities must obtain permission before using another's mark.¹⁰⁹ The concept of secondary meaning is based on the ability of a mark holder to change consumer perception about the meaning of a particular mark. The circumstantial evidence that courts often rely on includes advertising expenditures using the mark¹¹⁰—the amount of advertising by a particular producer is used to infer whether consumer perception has actually changed.¹¹¹ Thus, consumer search cost theory, which is based in part on an assessment of consumer perception, has resulted to some extent in the ability of producers to manipulate the scope of their trademark rights through the expenditure of more resources—and for that reason, it fails to inherently provide meaningful limits to those rights.¹¹²

2. *The Public Interest and Values.*—For the most part, courts utilize one of the two intended purposes of the Lanham Act—and sometimes, the consumer search cost theory—in analyzing issues involving trademarks. This analysis is incomplete because it fails to expressly account for all of the interests of stakeholders, including users, consumers, and competitors who are involved in many trademark suits.¹¹³ For example, the public has several interests that

107. Cf. James Gibson, *Risk Aversion and Rights Accretion in Intellectual Property Law*, 116 YALE L.J. 882, 907 (2007). Professor Gibson notes that trademark licensing practices create a feedback loop leading to expansive trademark protection. *Id.* He explains that, in part, this is because of the ambiguity of the case law concerning “sponsorship” or “approval.” *Id.*

108. See McKenna, *Normative Foundations*, *supra* note 15, at 1916; see generally Barton Beebe, *Search and Persuasion in Trademark Law*, 103 MICH. L. REV. 2020 (2005).

109. Cf. Dogan & Lemley, *Merchandising Right*, *supra* note 67, at 485 (“[I]f consumers do in fact value obtaining goods from the trademark owner itself—perhaps because it supports the school or team—then we would expect the market to reflect that by developing a distinction between ordinary merchandise and officially licensed merchandise.”).

110. *Zatarains, Inc. v. Oak Grove Smokehouse, Inc.*, 698 F.2d 786, 795 (5th Cir. 1983), *abrogated by* *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111 (2004).

111. The Lanham Act allows mark owners to use the ® symbol if the mark is registered on the Supplemental Register and does not have secondary meaning. See 15 U.S.C. §§ 1094, 1111 (2006). It is doubtful that consumers would understand this point, however, when they see the ® symbol. Consumers likely believe that the federal government has granted some enforceable “rights” in that particular mark.

112. See Kratzke, *supra* note 82, at 209; McKenna, *Normative Foundations*, *supra* note 15, at 1916; McKenna, *Trademark Use*, *supra* note 14, at 773.

113. Cf. McClure, *supra* note 3, at 32 (“The appeal of the Chicago School economic theory is that it has the capacity to provide an all-encompassing and unifying approach to virtually every

converge with preventing consumer confusion but may need to be divorced from consumer search cost theory to fully appreciate the importance of the particular interest.¹¹⁴ The following portion of this section explains what additional interests may not be completely protected by the consumer search cost theory and provides some examples of how various doctrines do not adequately protect or harm those interests.

First, this section will discuss the ability of competitors to use words to fairly describe their goods and services. Second, it will analyze the right of competitors to use marks in comparative advertising. Finally, this section will discuss other important public interests such as free expression.

The ability of competitors to use a mark to fairly describe their own products and services is an important public interest. Although this public interest is closely tied to the consumer search cost theory, there are some reasons why it should be considered a separate public interest. For example, the goal of lowering consumer search costs can explain why the law protects certain symbols as marks that are distinctive and does not protect marks that consumers do not perceive as distinctive.¹¹⁵ If a non-distinctive mark were protected (e.g., a descriptive mark without acquired distinctiveness), then the mark owner could prohibit a competitor from using a descriptive term that a competitor might need to fairly describe its product. Competitors might need to use that word because it facilitates consumers' ability to find and select goods. Consumers should not be prohibited from using that word because purported mark holders are trying to obtain some non-reputation-related competitive advantage over their competitors.¹¹⁶ Thus, by not allowing protection for descriptive marks without acquired distinctiveness, the consumer search cost theory fits well with the public interest. Allowing such protection would raise consumer search costs by taking

legal issue in trademark law. The function of trademark law is reduced to a single goal of economic efficiency to maximize wealth. . . . This economic approach places less emphasis on other ideas that have historically been viewed as animating goals of trademark law, such as commercial morality, preventing consumer deception, and protecting a trademark owner's business goodwill from misappropriation." (internal citation omitted)). Some of these interests, such as the ability to engage in comparative advertising, are grounded in competition-related concerns beyond reducing consumer search costs.

114. See Deborah R. Gerhardt, *Consumer Investment in Trademark*, 88 N.C. L. REV. 427, 430-31 (2010) ("Courts continue to state that they are honoring the two traditional trademark policies of protecting consumers and mark owners. However, the actual alignment often breaks apart, especially when consumers seek to use marks as information tools. The expansion of trademark law is resulting in trends that ignore or harm consumer interests." (internal citations omitted)).

115. See LANDES & POSNER, *ECONOMIC STRUCTURE*, *supra* note 10, at 188-97 (discussing how the consumer search cost theory explains the classification of marks on the spectrum of distinctiveness).

116. See *id.* at 189 ("If one producer is allowed to appropriate the word that describes a key attribute, he will obtain rents measured by the higher price he receives for his branded product because he will have made it more costly for his rivals to inform their customers of the attributes of their brands without using the same descriptive word.").

away words from consumers who need the words to make decisions about purchasing goods and services. However, what is troubling is that a descriptive word can be dominated by a particular trademark owner without changing the primary significance of the word or symbol. For example, after five years of substantially continuous and exclusive use, a mark is presumed to have acquired distinctiveness and may be federally registered.¹¹⁷ This presumption, coupled with evidence of sales and advertising, may be sufficient for a mark owner to obtain protection for a mark throughout the United States. This may make it too easy to obtain mark protection, as it removes the mark from use by competitors. Similarly, a mark that has been registered on the Supplemental Register for five years may be presumed to have acquired distinctiveness.¹¹⁸ Indeed, a mark holder who registers a mark on the Principal Register that was wrongly determined by an examiner to have secondary meaning may prevent a competitor from challenging that mark as merely descriptive after five years. Also, the mark holder may use incontestability status offensively in litigation.¹¹⁹ These presumptions may reduce the enforcement costs of trademarks or enable the mark owner to “quiet title,” but they also shift the ability to use particular marks towards the mark owner.

Moreover, these rules are unlikely to be defensible when considering enforcement costs. For example, there is a risk of false positives in finding protectable marks in the case of foreclosing a challenge to a mark based on descriptiveness. The risk of false positives outweighs the benefits of the judicial resources saved by not examining the presence of acquired distinctiveness

117. 15 U.S.C. § 1052(f) (2006). A mark registered on the Principal Register obtains the advantage of one of two presumptions: the mark is not merely descriptive or generic; or, if the mark is descriptive, it has acquired secondary meaning. *See Packman v. Chi. Trib. Co.*, 267 F.3d 628, 638-39 (7th Cir. 2001). Notably, section 1212.05(b) of the *Trademark Manual of Examining Procedure* provides that “[t]he five years of use does not have to be exclusive, but may be ‘substantially’ exclusive. This makes allowance for use by others that may be inconsequential or infringing, which does not necessarily invalidate the applicant’s claim.” U.S. PATENT & TRADEMARK OFFICE, TRADEMARK MANUAL OF EXAMINING PROCEDURE § 1212.05(b) (6th ed. 2009) (citing *L.D. Kichler Co. v. Davoil, Inc.*, 192 F.3d 1349, 1352 (Fed. Cir. 1999)). One court requires “significantly probative evidence” of invalidity to defeat the presumption of validity. *See Borinquen Biscuit Corp. v. M.V. Trading Corp.*, 443 F.3d 112, 118 (1st Cir. 2006).

118. 15 U.S.C. § 1052(f).

119. *See Park 'N Fly, Inc. v. Dollar Park & Fly, Inc.*, 469 U.S. 189, 203 (1985) (determining that incontestability status can be used to foreclose the defense that a mark is descriptive without secondary meaning and should not have been registered in the first place). Incontestability status is obtained through a filing of a § 15 affidavit at the United States Patent and Trademark Office along with five years of use. 15 U.S.C. § 1065. Incontestability status can also be used to determine mark strength under the likelihood of confusion analysis. *Dieter v. B & H Indus. of Sw. Fla., Inc.*, 880 F.2d 322, 328-29 (11th Cir. 1989). An alleged infringer may still argue that it is using the mark in a way protected by the classical fair use defense or the nominative fair use defense. However, the classical fair use and nominative fair use defenses are narrow and vague. *See Bone*, *supra* note 39, at 2130-34.

because courts would likely examine similar evidence in determining the likelihood of confusion.¹²⁰

Also, while a protected mark may still be used in a descriptive way in good faith to describe a particular good or service under the classical fair use defense, the threat of suit may deter a particular competitor from using that mark in connection with similar goods or services.¹²¹ Moreover, good faith may not exist where a competitor of the mark holder knows of the mark's existence, thus making the defense possibly inapplicable.¹²² Finally, the presence or absence of confusion is still relevant to an analysis of whether an allegedly infringing mark is used in good faith.¹²³

The next public interest is the ability of competitors to use a mark for comparative purposes. Consumer search cost theory may also explain why a competitor may need to use another's mark to make a particular point about its own goods or services. This is because the consumer search cost theory is, in part, concerned with maximizing the amount of productive information provided to consumers. In some contexts, this is best accomplished by allowing the competitor to use the mark owner's mark. Thus, if an entity wants to use another's mark to compare its products or services with a competitor's products or services, it may do so under the nominative fair use theory for infringement or the comparative advertising exclusion for dilution. The use also may be allowed if a court finds no likelihood of confusion. Comparative information is valuable to a consumer in deciding which product or service has the qualities or characteristics that he may desire.¹²⁴ However, it should be noted that nominative fair use has not been adopted in all jurisdictions, and one of the first iterations of

120. Cf. Bone, *supra* note 39, at 2130-34 (explaining how presumptions of secondary meaning for inherently distinctive marks is justified when enforcement costs are analyzed).

121. See Port, *supra* note 40, at 631; see also William McGeeveran, *Rethinking Trademark Fair Use*, 94 IOWA L. REV. 49, 61-63 (2008) [hereafter McGeeveran, *Fair Use*] ("[I]t is difficult to ascertain precisely which doctrines will determine if a particular expressive use qualifies as fair use; the boundaries between them are not clear, and different jurisdictions recognize different forms and combinations of the rules. . . . [T]he various trademark fair use doctrines do not facilitate early adjudication in practice. . . . In this uncertain legal environment, rational markholders get aggressive." (internal citations omitted)).

122. See *infra* notes 206-07 and accompanying text.

123. There has been criticism of the Supreme Court's decision in *KP Permanent Make-Up, Inc.* because it continues to allow the likelihood of confusion to be relevant in a determination of classical fair use. See, e.g., Graeme W. Austin, *Tolerating Confusion About Confusion: Trademark Policies and Fair Use*, 50 ARIZ. L. REV. 157, 185 (2008) ("[I]nsisting on the continued relevance of likelihood of confusion may limit opportunities for summary adjudication where the fair use defense is raised, a result likely to favor proprietors of trademarks that are susceptible to others' descriptive uses.").

124. Comparative advertising in keyword cases has not been allowed by courts in some circumstances. See Lunney, *supra* note 80, at 964-71 (discussing conflicting cases in the context of purchasing keywords for search engines).

the test has been criticized recently by a federal appellate court.¹²⁵ Also, the scope of the law allowing comparative advertising to occur—for example, the nominative fair use approach to infringement—may be too narrow and vague. This may also be true of the comparative advertising defense to a dilution cause of action.¹²⁶ For example, for nominative fair use to apply, confusion as to sponsorship or endorsement is still taken into account, which again implicates the mark holder's ability to control consumer perception.¹²⁷ Even assuming that this approach exists, mark owners will likely attempt to enforce their marks—particularly against small companies—even if those marks are used for comparative advertising purposes. Given the value of the brand to the mark holder, it is plausible that a small company could receive a cease and desist letter and stop the challenged use of the mark even for comparative advertising. The same concerns exist with using the likelihood of confusion analysis to protect the use of a mark for comparative advertising. This impact is particularly troubling where an entity is asserting a mark that perhaps should not receive protection in the first place.¹²⁸

The public interest also includes protecting uses of trademarks that may implicate such values as free expression and ensuring that trademarks are not used to raise prices above those set by a competitive market. This protection may be at odds with the mark holder's interest in protecting the goodwill in its mark. The exact definition of goodwill is somewhat elusive, but current valuations of some marks are in the billions of dollars.¹²⁹ It is not surprising that producers want to ensure that their marks are, and continue to be, protected. Thus, producers protecting their marks may assert actions against users of trademarks whose uses should be protected by free speech values.¹³⁰ Moreover, a producer

125. Circuits that have adopted the nominative fair use approach have disagreed as to its scope. See McGeeveran, *Fair Use*, *supra* note 121, at 61-62; see also 21 Century Real Estate Corp. v. LendingTree, Inc., 425 F.3d 211, 228-31 (3d Cir. 2005) (criticizing the Ninth Circuit's version of the test to determine nominative fair use and offering its own version as an affirmative defense); Health Grades, Inc. v. Robert Wood Johnson Univ. Hosp., Inc., 634 F. Supp. 2d 1226, 1239-43 (D. Colo. 2009) (discussing the treatment of the nominative fair use "defense" amongst circuits and disagreeing with the approach taken by the Ninth and Third Circuits).

126. Courts could also find that comparative advertising with a trademark owner's mark can be allowed because there may not be a likelihood of confusion. This depends on how the alleged infringer's mark and the trademark owner's mark are actually used.

127. See *New Kids on the Block v. News Am. Publ'g, Inc.*, 971 F.2d 302, 308 (9th Cir. 1992) (explaining that for nominative fair use to apply, "the user must do nothing that would, in conjunction with the mark, suggest sponsorship or endorsement by the trademark holder").

128. See *supra* notes 120-25 and accompanying text.

129. See *Best Global Brands*, *supra* note 85 (stating that the Coca-Cola brand is worth over sixty-eight billion dollars and Google is worth over thirty-one billion dollars).

130. For an example of a trademark case where free speech interests may be implicated, see *Planned Parenthood Fed'n of Am., Inc. v. Bucci*, No. 97-Civ-0629, 1997 WL 133313, at *12 (S.D.N.Y. Mar. 24, 1997), *aff'd*, 152 F.3d 920 (2d Cir. 1998) (unpublished table disposition) (issuing a preliminary injunction enjoining the use of www.plannedparenthood.com and "Planned

may be able to use its mark to raise prices above what a competitive market would set for that particular good or service because of the strength of the mark.¹³¹ Therefore, consumers would be denied the benefit of lower prices for products because of the continued existence of a very strong mark sustained by advertising and enforcement.¹³² Additionally, trademark owners may assert trademark rights over subject matter ordinarily protected by copyright and patent law that is in the public domain, threatening the current balance struck by Congress in enacting those laws.¹³³ There is thus a strong public interest in protecting the public domain and ensuring that the public receives the benefits of competition.

For the most part, the responsibility of enforcing trademarks and the costs of protecting consumers from confusion falls on the mark owner. In considering the public interest, the mark holder's role in protecting consumers from confusion should be recognized. Moreover, the public has an interest in protecting trademarks because trademarks can facilitate business growth by ensuring that consumers can acquire goods and services they have previously purchased. Similarly, trademark owners are rewarded for selling goods and services of consistent quality when consumers are repeat customers. The trademark owner can also use its trademark as a "place-holder" in areas of likely expansion, which also facilitates business development.

The mark holder's role in enforcement is generally not a problem because the

Parenthood" generally by the defendant, an opponent of abortion, to promote a book espousing an anti-abortion position). A court may apply the commercial use requirement to protect purely non-commercial uses, but the application of that test has led to some arguably inconsistent results. Compare *Bosley Med. Inst., Inc. v. Kremer*, 403 F.3d 672, 676-80 (9th Cir. 2005), with *People for the Ethical Treatment of Animals v. Doughney*, 263 F.3d 359, 365-66 (4th Cir. 2001).

131. But see LANDES & POSNER, *ECONOMIC STRUCTURE*, *supra* note 10, at 174 ("The fact that two goods have the same chemical formula does not make them of equal quality even to the most coolly rational consumer. The consumer will not be interested in the formula as such but in the actual manufactured product that he will be consuming, and he may therefore be willing to pay a premium for greater assurance that the product will actually be manufactured to the specifications of the formula.").

132. A similar concern is raised in situations involving marks that were used with patented products. When the patent expires, the mark holder is still able to benefit from the time it was able to exclusively sell the particular product or service because consumers strongly identify that mark with the formerly patented product. See *id.* at 314 ("[T]he patent monopoly accustoms doctors and patients to the name-brand product (trademark reinforcing patent), and when the patent expires and a generic substitute becomes available at much lower cost, they remain reluctant to substitute for the familiar brand an unknown (un)brand, which though certified as chemically identical may differ in some subtle way, perhaps involving quality control. The sales of the branded drug will fall, as the manufacturer in effect cedes the low-price segment of the market to the generics, but profit per unit will remain high, and aggregate profits, though smaller than before, will remain healthy. One study found only a gradual decline in market share upon patent expiration . . .").

133. See generally Viva R. Moffat, *Mutant Copyrights and Backdoor Patents: The Problem of Overlapping Intellectual Property Law Protection*, 19 BERKELEY TECH. L.J. 1473 (2004).

interests of mark holders and the public in preventing confusion typically overlap.¹³⁴ For example, a use that has the potential to confuse consumers is also one that a mark holder will want to prevent because it may result in a loss of sales. However, given the high value of marks, a mark holder is incentivized to overprotect its mark to ensure that no value from the mark is lost. This protection may well exceed that which is allowed by the consumer search cost theory.¹³⁵ Possible examples of courts validating this intuition may exist in initial interest confusion cases or cases finding trademark infringement by the purchase of keywords for use in search engines.¹³⁶ Those examples may be particularly troublesome to courts where there is a perceived clear intent to trade off the goodwill of the mark holder or deceive the public. Divorcing mark protection from the consumer search cost theory may allow for that protection, but only where there is some clear intent to deceive.¹³⁷

Another example of overprotection is disallowing uses of a mark that are inconsistent with the image the mark holder wants associated with that particular mark. Thus, any generally negative or inconsistent image or use of a mark may be chilled through the vigorous enforcement of trademark rights.¹³⁸ However, the use of a particular mark by a user or competitor may capture the exact message that the user wants to convey—one that could not be conveyed without that particular mark.¹³⁹ This problem highlights the concerns with free expression.¹⁴⁰

134. See *supra* note 80 and accompanying text.

135. Ill. High Sch. Ass'n v. GTE Vantage Inc., 99 F.3d 244, 247 (7th Cir. 1996) (noting that the senior user cannot take a mark the public is using out of the public domain using and render the public speechless).

136. Promatek Indus., Ltd. v. Equitrac Corp., 300 F.3d 808, 812-13 (7th Cir. 2002) (finding initial interest confusion and stating that “[w]hat is important is not the duration of the confusion, it is the misappropriation of Promatek’s goodwill. Equitrac cannot unring the bell.”); Checkpoint Sys., Inc. v. Check Point Software Techs., Inc., 269 F.3d 270, 294-95 (3d Cir. 2001) (“Without initial interest protection, an infringer could use an established mark to create confusion as to a product’s source thereby receiving a ‘free ride on the goodwill’ of the established mark.”).

137. This is not the same as arguing that there should be an anti-free riding theory supporting trademark law. Rather, at the boundaries of the likelihood of confusion or dilution test, the trademark holder should be able to raise intent to deceive and protection of its mark in the consideration of the public interest in granting a preliminary or permanent injunction. This may be based on the public’s interest in fostering fair play in the marketplace. See Doellinger, *supra* note 89, at 823-24.

138. Paul Alan Levy, *The Trademark Dilution Revision Act—A Consumer Perspective*, 16 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 1189, 1191-92 (2006) (“Trademark lawyers have become notorious for threatening litigation over the most questionable claims. Yet, threats of litigation, not to speak of receipt of an actual complaint, are highly intimidating because most individuals know nothing about trademark law and have no contact with experienced trademark counsel. And, if they consult a local lawyer, they are likely to learn how expensive and complicated the defense of trademark litigation can be.”).

139. Kozinski, *supra* note 2, at 973 (“Trademarks are often selected for their effervescent qualities, and then injected into the stream of communication with the pressure of a firehose by

Another public interest is the concern that trademark protection not be used to discourage new entrants to the market and harm competition by preventing competitors from using product design or packaging that may be needed to compete effectively.¹⁴¹ This concern has been expressed in the context of the functionality doctrine, although the application of that doctrine is unclear despite the Supreme Court's efforts to clarify it.¹⁴² Moreover, while the aesthetic functionality doctrine is supposed to protect against expansive uses of trademark law beyond those recognized by the consumer search cost theory,¹⁴³ some circuits have failed to adopt it¹⁴⁴ or apply it¹⁴⁵ in cases involving merchandising.

means of mass media campaigns. Where trademarks come to carry so much communicative freight, allowing the trademark holder to restrict their use implicates our collective interest in free and open communication.”). This problem is somewhat exemplified by the recent *Starbucks* case in which a parody defense to a dilution cause of action was not upheld because the allegedly infringing mark (a parody) was used as a mark itself. *Starbucks Corp. v. Wolfe's Borough Coffee, Inc.*, 588 F.3d 97, 112 (2d Cir. 2009) (“As evident from the statutory language, Black Bear's use of the Charbucks Marks cannot qualify under the parody exception because the Charbucks Marks are used ‘as a designation of source for [Black Bear's] own goods[, i.e., the Charbucks line of coffee].’”); *see also* *Louis Vuitton Malletier S.A. v. Haute Diggity Dog, LLC*, 507 F.3d 252, 266-67 (4th Cir. 2007) (recognizing that the TDRA does not extend the fair use defense to uses of the “parody as its own designation of source”).

140. *See Parks v. LaFace Records*, 329 F.3d 437, 449 (6th Cir. 2003) (“The public has at least as much interest in the free exchange of ideas as it does in avoiding misleading advertising. If Parks possesses a right to police the use of her name, even when that right can be exercised only to prevent consumer confusion, she has the means to restrict the public discourse to some extent.”).

141. Trademark law, particularly dilution, can deter new entrants to a mark to the extent it does not allow new entrants to use the marks of established competitors. *See* Laura R. Bradford, *Emotion, Dilution, and the Trademark Consumer*, 23 *BERKELEY TECH. L.J.* 1227, 1297 (2008) (“The ability of consumers to rely on the credibility of established brands offers real benefits. On the other hand, the ability of new producers to reference stronger marks eases barriers to entry.”); *see generally* Ghosh, *supra* note 22.

142. *See* *Traffix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 32-33 (2001); *Eppendorf-Netheler-Hinz GMBH v. Ritter GMBH*, 289 F.3d 351, 355-56 (5th Cir. 2002); *Valu Eng'g, Inc. v. Rexnord Corp.*, 278 F.3d 1268, 1277-78 (Fed. Cir. 2002).

143. LANDES & POSNER, *ECONOMIC STRUCTURE*, *supra* note 10, at 200 (“[C]ourts deny trademark protection for the attractive feature only if it is indispensable to the marketing of the product, that is, roughly speaking, only if the trademark owner would obtain a product monopoly if he could exclude others from copying the feature. This approach permits legal protection for attractive colors that serve as identifiers, such as the color pink for insulation but not the color yellow for tennis balls or the color brown for peanut butter—or the color yellow for margarine.”).

144. *See, e.g., Bd. of Supervisors for La. State Univ. Agric. & Mech. Coll. v. Smack Apparel Co.*, 550 F.3d 465, 487-88 (5th Cir. 2008).

145. *See, e.g., Au-Tomotive Gold, Inc. v. Volkswagen of Am., Inc.*, 457 F.3d 1062 (9th Cir. 2006). However, a recent Ninth Circuit case applied this doctrine where the alleged trademark owner was using the mark as a product, not a trademark. *See Fleischer Studios, Inc. v. A.V.E.L.A., Inc.*, No. 09-56317, 2011 WL 631499, at *7 (9th Cir. Feb. 23, 2011).

There are several other potential public interests that implicate users' interests. The protection and use of trademarks leads to the development of new symbols and meanings that enrich our lives and facilitate self-definition and expression.¹⁴⁶ This public interest seems to comport with consumer search cost theory, but in cases of dilution without confusion, there may be some harm to consumers not properly based on a concern with consumer search costs.¹⁴⁷ Moreover, the public interest in "the right to cultural participation, including . . . [the] cultural rights of specific groups" could be taken into account¹⁴⁸ and viewed as an interest in the actual mark users.¹⁴⁹

Accordingly, the consumer search cost theory leads to broader trademark rights because the theory is primarily concerned with viewing trademarks from the consumer's perspective, and producers are in (at least partial) control of how consumers view their marks.¹⁵⁰ The theory also does not adequately address other important values implicated by trademark protection. Thus, the other interests—from the user, consumer, and competitor perspective—must be taken into account and balanced, and the question is when and how we allow these interests to be considered.¹⁵¹

146. See Dreyfuss, *supra* note 2, at 397 ("[I]deograms that once functioned solely as signals denoting the source, origin, and quality of goods, have become products in their own right, valued as indicators of the status, preferences, and aspirations of those who use them."); Swann et al., *supra* note 45, at 796.

147. Professor Landes and Judge Posner contend that one economic argument for antidilution laws is that people "advertise themselves (much as sellers advertise their goods) by wearing clothes, jewelry, or accessories that tell the world that they are people of refined or flamboyant taste or high income." LANDES & POSNER, *ECONOMIC STRUCTURE*, *supra* note 10, at 208. They state that "[i]f others can buy and wear cheap copies, the signal given out by the purchasers of the originals is blurred." *Id.* at 208-09.

148. See Megan M. Carpenter, *Trademarks and Human Rights: Oil and Water? Or Chocolate and Peanut Butter?*, 99 TRADEMARK REP. 892, 929 (2009) ("Within the framework of human rights, indigenous peoples' rights must be balanced alongside the rights of trademark owners, and, as human rights discourse begins to consider issues of trademark rights, those rights may be antagonistic to the ability of indigenous groups to enjoy certain cultural rights respecting cultural participation, identity, and self-determination.").

149. Notably, the consumer search cost theory does not explain the prohibition on scandalous and disparaging marks.

150. See Kratzke, *supra* note 82, at 209; McKenna, *Normative Foundations*, *supra* note 15, at 1916; McKenna, *Trademark Use*, *supra* note 14, at 773. Professors Dogan and Lemley would have the trademark "use" doctrine serve to limit trademark infringement cases where the defendant does not use the mark as a trademark, thus insulating alleged infringers from liability for using the marks for "speech-oriented" objectives. See Dogan & Lemley, *Search Costs*, *supra* note 65, at 808-11.

151. Professors Dinwoodie and Janis argue that these or similar interests can be taken into account through the creation of defenses. See Graeme B. Dinwoodie & Mark D. Janis, *Confusion over Use: Contextualism in Trademark Law*, 92 IOWA L. REV. 1597, 1662 (2007) [hereinafter Dinwoodie & Janis, *Contextualism*] (stating that courts should create and modify defenses to take

B. The Structure of Trademark Law

The structure of trademark law provides an incentive for mark holders to enforce their rights vigorously.¹⁵² This is largely based on the fact that much of the legal protection for trademark law is based upon consumer perception.¹⁵³ Consumer perception impacts whether marks are entitled to protection in the first instance or can ever be protected; the scope of protection of a mark in infringement proceedings; the availability and scope of an antidilution action; whether a defense may apply; and whether a mark has been abandoned.¹⁵⁴

1. *Distinctiveness and Secondary Meaning.*—Whether a particular word, design, or composite mark is entitled to federal protection is dependent upon where the mark falls on the spectrum of distinctiveness.¹⁵⁵ The overarching question is whether the mark identifies and distinguishes the goods and services of one mark holder from those of another. This analysis rests upon how a consumer may perceive the mark based on the good or service the mark is used with, and it turns on distinctiveness. A mark that is inherently distinctive is automatically entitled to legal protection.¹⁵⁶ Inherently distinctive marks may include fanciful marks, completely made-up words; arbitrary marks, words that bear no relationship to the goods and services with which they are used; and suggestive marks, marks that suggest, but do not describe, a characteristic or quality of the good or service.¹⁵⁷ Marks that have a primary meaning in

into account values such as comparative advertising, free speech, and anticompetition concerns); see also Dinwoodie, *supra* note 24, at 99 (arguing for the development of defenses that take into account values other than those driven purely by consumer confusion concerns). Professor Grynberg argues that formalist courts are unlikely to expand or develop defenses to address the concerns raised by Professors Dinwoodie and Janis. See Grynberg, *supra* note 24, at 901-02. Professor Grynberg posits that the infringement standard with a materiality requirement may limit some of trademark law's expansions. *Id.* at 967-69. Although some of these interests may be taken into account in an infringement analysis, they may not be considered at an early enough procedural stage to deter the chilling effect of the exercise of these interests. I argue that these interests should be taken into account at the preliminary injunction stage.

152. See Ill. High Sch. Ass'n v. GTE Vantage Inc., 99 F.3d 244, 246 (7th Cir. 1996) ("What matters is that a trademark is not nearly so secure an entitlement as a property right. It is mainly just a designation of source, and dies when it ceases to designate, for whatever reason other than the culpable conduct of the defendant." (internal citations omitted)).

153. See McKenna, *Normative Foundations*, *supra* note 15, at 1916; McKenna, *Trademark Use*, *supra* note 14, at 812 ("Indeed, virtually every distraction courts and the Trademark Office draw between protectable and unprotectable matter depends on consumer understanding.").

154. See McKenna, *Trademark Use*, *supra* note 14, at 812.

155. *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 9-10 (2d Cir. 1976); see also *Zatarains, Inc. v. Oak Grove Smokehouse, Inc.*, 698 F.2d 786, 790-92 (5th Cir. 1983), *abrogated by* *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111 (2004).

156. *Abercrombie & Fitch Co.*, 537 F.2d at 9-10; see *Zatarains*, 698 F.2d at 790-92.

157. *Abercrombie & Fitch Co.*, 537 F.2d at 9-10; see *Zatarains*, 698 F.2d at 790-92.

connection with the good or service and describe the good or service are protected on a showing of acquired distinctiveness—so-called “secondary meaning.”¹⁵⁸ Marks that identify the particular good or service (or class of goods or services) are considered generic and are not protectable.¹⁵⁹

For a mark to acquire distinctiveness, a mark holder needs to use the mark in connection with the good or service so that consumers will perceive the mark as indicating source and distinguishing one person’s goods from another (as opposed to merely describing the good or service).¹⁶⁰ Thus, the mark holder has an interest in ensuring that the mark develops secondary meaning, and the holder can manipulate consumer perception through advertising. The mark holder can also attempt to acquire secondary meaning and control consumer perception by ensuring that third parties do not use a similar mark in connection with similar goods or services. Therefore, even though a mark holder may not have legally protected rights, it could assert “rights” through cease and desist letters and thereby discourage the use of similar marks, eventually helping the mark holder establish trademark rights in the first instance.¹⁶¹ Accordingly, the determination of whether a mark should initially receive protection by a finding of acquired distinctiveness provides an incentive for mark holders to police and prevent third party use of their marks.¹⁶²

158. *Abercrombie & Fitch Co.*, 537 F.2d at 9-10; see *Zatarains*, 698 F.2d at 790-92.

159. *Abercrombie & Fitch Co.*, 537 F.2d at 9-10; see *Zatarains*, 698 F.2d at 790-92.

160. *Abercrombie & Fitch Co.*, 537 F.2d at 9-10; see *Zatarains*, 698 F.2d at 790-92.

161. In a recent opinion, the Eastern District of California considered and relied upon evidence of the plaintiff’s policing efforts (cease and desist letters) to find no knowing false misrepresentation of fact to the Patent and Trademark Office based on the plaintiff’s affidavit, which claimed “substantially exclusive and continuous” use of a mark for five years to obtain a presumption of acquired distinctiveness, even with evidence of two other instances of third party use. *Salu, Inc. v. Original Skin Store*, No. Civ-S-08-1035, 2010 WL 1444617, at *4 (E.D. Cal. Apr. 12, 2010). The court stated:

[Plaintiff] Salu presents evidence that . . . [it] has continually contacted anyone who it feels is infringing in order to protect its mark. It has sent out over 300 cease and desist letters to alleged infringers in the last couple of years alone. Salu claims that with the exception of ESKINSTORE, this litigation, and one other case that settled out of court, “every other infringer receives [the] letter and stops infringing on [the] trademark.”

Id. at *2 (internal citations omitted).

162. See *Yellow Cab Co. of Sacramento v. Yellow Cab of Elk Grove, Inc.*, 419 F.3d 925, 930 (9th Cir. 2005) (deciding whether exclusive usage of a trademark was probative of secondary meaning); *DeGidio v. W. Grp. Corp.*, 355 F.3d 506, 513-14 (6th Cir. 2004) (finding that wide use of a term weighed against a finding of secondary meaning); *Int’l Bancorp, LLC v. Societe des Bains de Mer et du Cercle des Etrangers a Monaco*, 329 F.3d 359, 370-71 (4th Cir. 2003) (approving district court’s reliance in part on “continuous, if not exclusive use” of mark to support a finding of secondary meaning); *Commerce Nat’l Ins. Servs., Inc. v. Commerce Ins. Agency, Inc.*, 214 F.3d 432, 437 (3d Cir. 2000) (stating that one of the factors to determine secondary meaning is exclusivity of use of a mark); *Petro Stopping Ctrs., L.P. v. James River Petroleum, Inc.*, 130 F.3d 88, 93-94 (4th Cir. 1997) (approving district court’s reliance on third party registrations and usages

In determining whether some types of trade dress or logos receive legal protection, some courts find the spectrum of distinctiveness unhelpful and rely upon the *Seabrook* test.¹⁶³ The *Seabrook* test provides:

In determining whether a design is arbitrary or distinctive this court has looked to [1] whether it was a ‘common’ basic shape or design, [2] whether it was unique or unusual in a particular field, [3] whether it was a mere refinement of a commonly-adopted and well-known form of ornamentation for a particular class of goods viewed by the public as a dress or ornamentation for the goods, or [4] whether it was capable of creating a commercial impression distinct from the accompanying words.¹⁶⁴

Each factor of this test focuses on the perception of the consumer, and all factors may require examination of the use of the mark by third parties.¹⁶⁵ Thus, the test pushes mark holders to litigate to ensure that their marks are initially protected and continue to receive protection.¹⁶⁶

2. *Genericness and Genericide*.—The final category on the spectrum of distinctiveness is generic marks.¹⁶⁷ A mark may be considered generic at the outset of use by the mark holder, or it may eventually become the generic term for a once-protectable mark in connection with a specific good or service.¹⁶⁸ The former is generally referred to as “genericness,” and the latter is “genericide.”

The question of whether a mark is generic is determined from the perspective of the consumer.¹⁶⁹ Generic marks cannot receive protection because of the strong interest in allowing competitors to use a particular name to call their

of the term “Petro” to support a finding that the mark was descriptive and weak as part of strength of mark analysis); *Spraying Sys. Co. v. Delavan, Inc.*, 975 F.2d 387, 393 (7th Cir. 1992) (finding that evidence of third party use was probative of secondary meaning); *Alphaville Design, Inc. v. Knoll, Inc.*, 627 F. Supp. 2d 1121, 1128-1130 (N.D. Cal. 2009) (considering, in determining secondary meaning, evidence of failure to police third parties’ use of marks as relevant to whether a purported trademark owner exclusively used marks); *Simon & Schuster, Inc. v. Dove Audio, Inc.*, 936 F. Supp. 156, 163 (S.D.N.Y. 1996) (finding the existence of secondary meaning supported by sufficient allegations, including successful policing of mark).

163. *Seabrook Foods, Inc. v. Bar-Well Foods Ltd.*, 568 F.2d 1342 (C.C.P.A. 1977).

164. *Id.* at 1344 (internal citations omitted).

165. *See Amazing Spaces, Inc. v. Metro Mini Storage*, 608 F.3d 225, 247 (5th Cir. 2010) (finding logo not inherently distinctive under *Seabrook* analysis based in part on widespread use of similar logo).

166. Depending on when the court determines distinctiveness under *Seabrook*, the enforcement of a mark may be relevant to the strength of the mark, not initial protection.

167. *Zatarains, Inc. v. Oak Grove Smokehouse, Inc.*, 698 F.2d 786, 790 (5th Cir. 1983), *abrogated by* *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111 (2004); *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 9 (2d Cir. 1976).

168. *Schwan’s IP, LLC v. Kraft Pizza Co.*, 460 F.3d 971, 976 (8th Cir. 2006).

169. *See Yellow Cab Co. of Sacramento v. Yellow Cab of Elk Grove, Inc.*, 419 F.3d 925, 929 (9th Cir. 2005).

products by that particular product name—which, if denied to competitors, harms consumers.¹⁷⁰ For example, a purported trademark holder would not be able to acquire protection for the word “Apple” used in connection with the sale of apples.¹⁷¹ Thus, parties that hope to acquire trademark protection have an incentive to choose words that are not the particular names of existing products or services (or product or service classes). In determining whether a particular mark is initially generic in connection with a certain good or service, courts may consider the extent of third party use of the mark.¹⁷² A special problem arises when mark holders choose a mark for a product type that did not previously exist—for example, where the holder has created a new product class.¹⁷³ Each of these mark holders runs the risk that its mark is the generic name for that product. Because whether marks are protected is determined from the consumer’s perspective, mark owners have an interest in ensuring that their marks are not initially deemed generic. Thus, stopping third party mark usage

170. *Am. Cyanamid Corp. v. Connaught Labs., Inc.*, 800 F.2d 306, 308 (2d Cir. 1986) (“Were the first user of a generic or descriptive term . . . able to exclude later entrants from use of that term, the former would be able not only to identify itself as the maker of the . . . [product] and to capitalize on whatever good will it has built up—legitimate purposes of trademark protection—but also to impair the ability of competitors to describe their products . . . [in the same way]—a wholly counterproductive result so far as consumers are concerned.”); *Abercrombie & Fitch Co.*, 537 F.2d at 9.

171. *Dogan & Lemley*, *Search Costs*, *supra* note 65, at 809.

172. *See Schwan’s*, 460 F.3d at 974-75 (considering evidence of use of mark by several competitors in finding the mark generic); *Nartron Corp. v. STMicroelecs., Inc.*, 305 F.3d 397, 406 (6th Cir. 2002) (“[Defendant] provided testimony that manufacturers, customers, suppliers, vendors, and other in the semiconductor industry, including trade and technical press, use the term ‘smart power’ generically to mean power devices that have control circuits.”); *Nat’l Envelope Corp. v. Am. Pad & Paper Co. of Del.*, No. 06 Civ. 12988, 2009 WL 5173920, at *3 (S.D.N.Y. Dec. 30, 2009) (noting that courts “may consider all relevant evidence, including . . . uncontested usage of the mark by competitors to describe their products”); *FragranceNet.com v. Les Parfums, Inc.*, 672 F. Supp. 2d 328, 333 (E.D.N.Y. 2009) (finding that evidence of genericness included uncontested uses by competitors to describe their goods and services); *CG Roxane LLC v. Fiji Water Co.*, 569 F. Supp. 2d 1019, 1028 (N.D. Cal. 2008) (“[D]efendant has still proven that at least 70 competitors use the phrase ‘bottled at the source.’ This evidence of use by competitors strongly suggests that the mark is generic”); *Premier Nutrition, Inc. v. Organic Food Bar, Inc.*, 475 F. Supp. 2d 995, 1002 (C.D. Cal. 2007) (finding that a party challenging a mark as generic raised an inference of genericness with proof that competitors used the mark to refer to a category of products); *Classic Foods Int’l Corp. v. Kettle Foods, Inc.*, 468 F. Supp. 2d 1181, 1190 (C.D. Cal. 2007) (“Federal courts also view usage of the term by competitors in the industry as strong evidence of how the public perceives the term [in genericness inquiries].”).

173. *See generally* *Genesee Brewing Co. v. Stroh Brewing Co.*, 124 F.3d 137 (2d Cir. 1997); *A.J. Canfield Co. v. Honickman*, 808 F.2d 291 (3d Cir. 1986); 2 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 12:26 (4th ed. 2008) (describing how parties who create a new product should choose two words to market the product: one word to use as the product’s generic name, and the other word as the product’s trademark).

early is beneficial to mark owners.¹⁷⁴

Protectable marks can become generic over time—particularly fanciful marks. In determining whether there is so-called “genericide,” courts will examine the use of the mark by consumers and even consider the policing efforts of mark holders against third parties.¹⁷⁵ If the mark holder does not adequately control the use of its mark, the mark holder may lose trademark protection.¹⁷⁶

174. Some courts may determine whether a mark is generic by only considering evidence of genericness at the time the purported mark holder entered the market. *Compare Classic Foods*, 468 F. Supp. 2d at 1188 n.10, 1190-91 (considering competitor usage of a term before the alleged mark holder entered the market), *with Schwan's*, 460 F.3d at 974-75 (considering evidence of competitor use of a mark before and after the alleged mark holder entered the market in apparent genericness analysis).

175. *Freecycle Network, Inc. v. Oey*, 505 F.3d 898, 905-06 (9th Cir. 2007) (noting that policing a mark may prevent genericide); *Ty Inc. v. Softbelly's, Inc.*, 353 F.3d 528, 531 (7th Cir. 2003) (finding that evidence of the BEANIES mark's primary significance included Ty's policing “the use of ‘Beanie(s)’ vigorously by filing lawsuits, sending cease and desist letters, and opposing trademark applications for the word or its cognates”); *BellSouth Corp. v. DataNational Corp.*, 60 F.3d 1565, 1570 (Fed. Cir. 1995) (finding that a mark may become generic because of a failure to police third party uses); *Malaco Leaf, AB v. Promotion in Motion, Inc.*, 287 F. Supp. 2d 355, 364 (S.D.N.Y. 2003) (finding a mark generic based on extensive third party use and failure to police); *Ty, Inc. v. Jones Grp., Inc.*, 98 F. Supp. 2d 988, 994 (N.D. Ill. 2000) (“[G]enericness can be shown by generic use of the mark by competitors which has not been contested by the plaintiff. Plaintiff contends that the mark is not generic based on the fact that it has rigorously policed the use of the mark by competitors.”), *aff'd*, 237 F.3d 891 (7th Cir. 2001); *Brandwynne v. Combe Int'l, Ltd.*, 74 F. Supp. 2d 364, 381 (S.D.N.Y. 1999) (finding that failure to police third party usage of a purported mark is relevant to whether the mark is generic); *E.I. DuPont de Nemours & Co. v. Yoshida Int'l, Inc.*, 393 F. Supp. 502, 527 (E.D.N.Y. 1975) (for trademark protection program, considering policing misuse of a mark in finding the mark non-generic); *see also* Deven R. Desai & Sandra L. Rierson, *Confronting the Genericism Conundrum*, 28 CARDOZO L. REV. 1789, 1833 (2007) (“[T]he current doctrine's insistence that trademark holders ‘police’ against noncompetitive, noninfringing uses of their marks leads to overly aggressive trademark enforcement activities, which are inefficient and, perhaps more importantly, may have the undesirable effect of stifling the public's ability to use language as it sees fit.”); Ralph H. Folsom & Larry L. Teply, *Trademarked Generic Words*, 89 YALE L.J. 1323, 1354 (1980) (“[I]n some cases the fact that a trademark holder has engaged in policing efforts has been viewed as evidence in favor of continuing trademark rights. . . . We argue . . . that evidence of extensive policing efforts should be weighted *negatively* in determinations of genericness.” (emphasis in original) (internal citations omitted)). However, trademark holders may have little success in preventing generic usage by the media and dictionaries. *See* 2 MCCARTHY, *supra* note 173, at § 12:28 (citing *Freecycle*, 505 F.3d at 898; *Ty Inc. v. Perryman*, 306 F.3d 509 (7th Cir. 2002); *Ill. High Sch. Ass'n v. GTE Vantage Inc.*, 99 F.3d 244 (7th Cir. 1996)).

176. *E.g., King-Seeley Thermos Co. v. Aladdin Indus., Inc.*, 321 F.2d 577, 579 (2d Cir. 1963). For example,

[a]lthough “Thermos” was generally recognized in the trade as a trademark, the corporation did police the trade and notified those using “thermos” in a descriptive

3. *Strength of the Mark*.¹⁷⁷—In a field related to the spectrum of distinctiveness, a very relevant concern to a mark holder is the strength of the mark—a particular mark’s degree of distinctiveness.¹⁷⁸ The strength of a mark can determine the scope of protection it receives.¹⁷⁹ The stronger a mark is, the more likely that infringement may be found, even against a mark that is used on goods that are only slightly related. The strength of a mark is demonstrated using either direct or circumstantial evidence. Direct evidence may involve customer surveys, while circumstantial evidence may include the amount of advertising expenditures or sales. The strength of the mark can also be assessed by examining where the mark falls on the spectrum of distinctiveness.¹⁸⁰ For

sense that it was a trademark. It failed, however, to take affirmative action to seek out generic uses by non-trade publications and protested only those which happened to come to its attention. Between 1923 and the early . . . [1950s] the generic use of “thermos” had grown to a marked extent in non-trade publications and by the end of this period there was wide-spread use by the unorganized public of “thermos” as a synonym for “vacuum insulated.” The court concluded that King-Seeley had failed to use due diligence to rescue “Thermos” from becoming a descriptive or generic term.

Id.; see also *Magic Wand, Inc. v. RDB, Inc.*, 940 F.2d 638, 641 (Fed. Cir. 1991) (considering evidence of third party usage in finding that a mark was not generic to the relevant class of purchasers); *Murphy Door Bed Co. v. Interior Sleep Sys., Inc.*, 874 F.2d 95, 101 (2d Cir. 1989) (noting that the district court’s finding of non-genericness relied on policing efforts of mark claimant, the court found that policing efforts were not helpful where the mark had already entered the public domain); *Pilates, Inc. v. Current Concepts, Inc.*, 120 F. Supp. 2d 286, 300 (S.D.N.Y. 2000) (finding that policing activity was not relevant once a mark had become generic). Notably, it is ultimately the consumer’s perception that matters and not expenditures on advertising or policing, although these are relevant categories of evidence to determine genericity. See *Magic Wand*, 940 F.2d at 641 (“[W]hether a term is entitled to trademark status turns on how the mark is understood by the purchasing public.”). For further discussion of genericism, see Jerre B. Swann, *Genericism Rationalized*, 89 TRADEMARK REP. 639 (1999).

177. Notably, the likelihood of confusion factor is important because it, along with the strength of the mark factor, can expand trademark protection beyond competing goods and services. Some courts state that if the related good or service market is one in the natural zone of expansion of the trademark holder, that factor favors the trademark holder. See, e.g., *Westchester Media v. PRL USA Holdings, Inc.*, 214 F.3d 658, 666-67 (5th Cir. 2000). The natural zone of expansion is judged from the perspective of the consumer. *Id.* at 666.

178. 2 MCCARTHY, *supra* note 173, at § 11:75. Interestingly, Professor Beebe, in an empirical study, found that there was a “good correlation between inherent strength and success in the multifactor test” in infringement actions—although perhaps not as strong as believed. Barton Beebe, *An Empirical Study of the Multifactor Tests for Trademark Infringement*, 94 CAL. L. REV. 1581, 1634 (2006).

179. See *One Indus., LLC v. Jim O’Neal Distrib., Inc.*, 578 F.3d 1154, 1164 (9th Cir. 2009) (observing that “[t]rademark law offers greater protection to marks that are ‘strong’”) (quoting *E. & J. Gallo Winery v. Gallo Cattle Co.*, 967 F.2d 1280, 1291 (9th Cir. 1992)).

180. See *Utah Lighthouse Ministry v. Found. for Apologetic Info. & Research*, 527 F.3d 1045, 1056 (10th Cir. 2008) (“Strength consists of both conceptual strength, which refers to the placement

example, a mark that is considered arbitrary is generally stronger than a merely descriptive mark, which is unprotectable without a showing of acquired distinctiveness. If a descriptive mark has acquired distinctiveness, the degree of strength of that mark can be a very important question. A descriptive mark with acquired distinctiveness or a suggestive mark may generally possess a low level of strength and thus receive a limited scope of protection. However, evidence of large amounts of sales or advertising expenditures can increase the strength of the mark.¹⁸¹ Again, the mark holder controls the amount and type of advertising it uses.

Another measure of strength of the mark is the amount of third party usage of the particular mark in connection with the same or similar goods.¹⁸² A large amount of third party usage may indicate that the mark is weak and deserves a minimal scope of protection.¹⁸³ Mark holders are thus incentivized to aggressively police their marks. Professor J. Thomas McCarthy has noted this effect:

The law imposes on trademark owners the duty to be pro-active and to police the relevant market for infringers. If the trademark owner is quiescent and tolerates the encroachment of infringers, it will find that its trademark asset has “eroded” and “shrunk” because the strength of its mark as a distinctive and distinguishing symbol has been diminished by the presence of similar marks. . . . [T]he trademark owner must anticipate constant “maintenance” of its trademark property by policing and enforcing the exclusivity of its trademark symbol in the marketplace.¹⁸⁴

Indeed, numerous courts have stated that failure to police one’s mark or extensive third party usage of a mark will result in a “weaker” mark or a smaller scope of protection, or that policing a mark may lead to a “stronger” mark.¹⁸⁵ The courts’

of the mark along the distinctiveness spectrum, and commercial strength, which refers to the marketplace recognition value of the mark.”).

181. *Brookfield Commc’ns, Inc. v. W. Coast Entm’t Corp.*, 174 F.3d 1036, 1058 (9th Cir. 1999); *Levi Strauss & Co. v. Blue Bell, Inc.*, 632 F.2d 817, 821-22 (9th Cir. 1980).

182. *Freedom Sav. & Loan Ass’n v. Way*, 757 F.2d 1176, 1182 (11th Cir. 1985) (noting that “the strength of the mark depends on the extent of third party usage”).

183. *One Indus.*, 578 F.3d at 1164-65 (stating that third party uses weaken a distinctive mark); *Citizens Fin. Grp., Inc. v. Citizens Nat’l Bank of Evans City*, 383 F.3d 110, 123 (3d Cir. 2004) (“[A]s a general rule, widespread use of even a distinctive mark may weaken the mark.”). *But see Skechers U.S.A., Inc. v. Vans, Inc.*, No. CV 07-01703, 2007 WL 4181677, at *5 (C.D. Cal. Nov. 20, 2007) (holding that third party usage of a checkerboard mark on shoes would cause consumers to carefully distinguish between the mark holder’s mark and third party uses and would thus “significantly diminish[] the likelihood of confusion”).

184. 2 MCCARTHY, *supra* note 173, at § 11:91.

185. *Morningside Grp. Ltd. v. Morningside Capital Grp. L.L.C.*, 182 F.3d 133, 139 (2d Cir. 1999) (“[T]he successful policing of a mark adds to its strength to the extent that it prevents weakening of the mark’s distinctiveness in the relevant market.” (internal citation omitted));

Streetwise Maps, Inc. v. VanDam, Inc., 159 F.3d 739, 743-44 (2d Cir. 1998); Petro Stopping Ctrs., L.P. v. James River Petroleum, Inc., 130 F.3d 88, 93-94 (4th Cir. 1997) (approving district court's reliance on third party registrations and usages of the term "Petro" to support a finding that the mark was descriptive and weak as part of strength of mark analysis); First Sav. Bank v. First Bank Sys., Inc., 101 F.3d 645, 653-54 (10th Cir. 1996) ("The greater the number of identical or more or less similar marks already in use on different kinds of goods, the less the likelihood of confusion between any two specific uses of the weak mark."); Lang v. Ret. Living Publ'g Co., 949 F.2d 576, 581 (2d Cir. 1991) (relying on third party usage of parts of a mark in finding the mark weak); Sun Banks of Fla., Inc. v. Sun Fed. Sav. & Loan Ass'n, 651 F.2d 311, 316 (5th Cir. 1981) ("[W]e find the extensive third-party use of the word 'Sun' impressive evidence that there would be *no* likelihood of confusion between Sun Banks and Sun Federal." (emphasis in original)); Amstar Corp. v. Domino's Pizza, Inc., 615 F.2d 252, 260 (5th Cir. 1980) ("The third-party uses and registrations . . . merely limit the protection to be accorded plaintiff's mark outside the uses to which plaintiff has already put its mark."); Alaven Consumer Healthcare, Inc. v. DrFloras, LLC, No. 1:09-CV-705-TWT, 2010 WL 481205, at *2 (N.D. Ga. Feb. 4, 2010) ("Although suggestive, the trademark is weakened by the frequency with which the prefix 'Dr.' is used in other trademark registrations for related products."), *aff'd in part* by 399 F. App'x 545 (11th Cir. 2010); Am. ORT, Inc. v. ORT Israel, No. 07 CV 2332, 2007 WL 2049733, at *7 (S.D.N.Y. July 17, 2007) (holding that policing of mark supported a finding of a strong mark); Century 21 Real Estate LLC v. Century Ins. Grp., No. CIV 03-0053-PHX-SMM, 2007 WL 484555, at *11 (D. Ariz. Feb. 9, 2007) ("Given the Court's findings regarding the inherent strength of . . . [Century 21's] Marks in the real estate industry, the weakness of the Marks in the insurance industry, and weakness resulting from third-party use of the term 'Century' in real estate and insurance industries, the strength factor favors . . . [Century 21] but only slightly." (citation omitted)), *aff'd*, 300 F. App'x 527 (9th Cir. 2008); U.S. Conference of Catholic Bishops v. Media Research Ctr., 432 F. Supp. 2d 616, 626 (E.D. Va. 2006) ("Plaintiff's mark . . . has been further diluted by significant third-party usage, including third-party usage in Plaintiff's exact line of business."); Children's Med. Ctr. of Dall. v. Columbia Hosp. at Med. City Dall., No. 3-04-CV-2436-BD, 2006 WL 616000, at *5 (N.D. Tex. Mar. 10, 2006) (admitting expert testimony that a mark was weak based on extensive third party use of the mark); Renaissance Greeting Cards, Inc. v. Dollar Tree Stores, Inc., 405 F. Supp. 2d 680, 692 (E.D. Va. 2005) ("The common use of a given trademark is still considered an important factor in considering the strength of a mark."), *aff'd*, 227 F. App'x 239 (4th Cir. 2007); Gateway, Inc. v. Companion Prods., Inc., No. Civ. 01-4096-KES, 2003 WL 22508907, at *6 (D.S.D. Aug. 19, 2003) (relying on evidence of cease and desist letters and litigation to find a mark strong); M & G Elecs. Sales Corp. v. Sony Kabushiki Kaisha, 250 F. Supp. 2d 91, 102 (E.D.N.Y. 2003) (noting extensive third-party use and lack of evidence of policing in finding mark weak); Sterling Acceptance Corp. v. Tommark, Inc., 227 F. Supp. 2d 454, 462 (D. Md. 2002) ("Significant evidence in the record here of third-party use of the word 'Sterling' in the financial services industry and in other trademark registrations leads to the conclusion that plaintiff's mark is weak and does not acquire significant secondary meaning."), *aff'd*, 91 F. App'x 880 (4th Cir. 2004); Checkpoint Sys., Inc. v. Check Point Software Techs., Inc., 104 F. Supp. 2d 427, 459 (D.N.J. 2000) ("Checkpoint's active program of policing its trademark is further proof of the strength of its mark."), *aff'd*, 269 F.3d 270 (3d Cir. 2001); Quantum Fitness Corp. v. Quantum LifeStyle Ctrs., LLC, 83 F. Supp. 2d 810, 820 (S.D. Tex. 1999) ("Another factor in determining the strength of a mark in the marketplace is the extent of third-party usage of similar marks."); Gideons Int'l, Inc. v. Gideon 300 Ministries, Inc., 94 F.

consideration of evidence of a mark's strength by examining its usage outside the product and services market of the mark holder is particularly troubling because it provides an incentive for mark holders to police potentially infringing uses outside their markets.¹⁸⁶ This policing activity may allow mark holders to expand their rights beyond their usual product or service market to other related markets.

4. *Dilution*.—Under the TDRA, only famous marks are protected.¹⁸⁷ In order for a mark to be deemed famous, it must be widely known to the general consuming public.¹⁸⁸ This standard is used to ensure that only truly powerful

Supp. 2d 566, 583 (E.D. Pa. 1999) (“The fact that The Gideons have taken steps over the years to enforce its marks, including sending cease and desist letters to potential infringers . . . as a part of a regular and systematic practice . . . is also evidence of the strength of The Gideons’ marks as accorded by third parties.”); *Schieffelin & Co. v. Jack Co. of Boca*, 850 F. Supp. 232, 243 (S.D.N.Y. 1994) (“Schieffelin’s consistent effort to prevent use of its marks in a manner that would either confuse consumers or undermine the goodwill associated with its brands is, therefore, further proof of the strength of plaintiff’s marks.”); *Hester Indus., Inc. v. Wing King, Inc.*, No. 1:91-CV-2644-RHH, 1992 WL 200129, at *3 (N.D. Ga. Mar. 26, 1992) (relying in part on the plaintiff’s vigorous policing efforts in deeming the mark strong), *aff’d*, 979 F.2d 1539 (11th Cir. 1992); *Berkshire Fashions, Inc. v. Sara Lee Corp.*, 725 F. Supp. 790, 795 (S.D.N.Y. 1989) (“The evidence offered by Berkshire of third party use of energy evoking marks, assertedly to establish dilution of the strength of Sara Lee’s mark, and of putative inadequate policing of its mark by Sara Lee, is rejected as marginal and not sufficiently comprehensive with respect to market use, presence and inter-play of the respective brand products.”), *aff’d*, 904 F.2d 33 (2d Cir. 1990); *E.I. DuPont de Nemours & Co. v. Yoshida Int’l, Inc.*, 393 F. Supp. 502, 512 (E.D.N.Y. 1975) (“[S]trength is primarily a question of degree, an amorphous concept with little shape or substance when divorced from the mark’s commercial context, including an appraisal of the owner’s policing efforts to ensure that whatever distinctiveness or exclusivity has been achieved is not lost through neglect, inattention, or consent to infringing use.”). In the Federal Circuit, an analysis of third party usage is a separate factor in examining whether marks are likely to be confused under Section 2(d) of the Lanham Act. *See In re Mighty Leaf Tea*, 601 F.3d 1342, 1346-47 (Fed. Cir. 2010).

186. *Bd. of Supervisors for La. State Univ. Agric. & Mech. Coll. v. Smack Apparel Co.*, 550 F.3d 465, 479 (5th Cir. 2008) (“All third-party use of a mark, not just use in the same industry as a plaintiff, may be relevant to whether a plaintiff’s mark is strong or weak.”); *A & H Sportswear, Inc. v. Victoria’s Secret Stores, Inc.*, 237 F.3d 198, 223 (3d Cir. 2000) (“Although the wide use of a term within the market at issue is more probative than wide use of a term in other markets, the extensive use of the term in other markets may also have a weakening effect on the strength of the mark.” (internal citation omitted)); *see Sterling Acceptance Corp.*, 227 F. Supp. 2d at 462 (“[E]vidence disclosed by the Patent and Trademark Office’s online database show eighteen registrations in the financial services class which include the word ‘Sterling’ and over three hundred and fifty registrations in other classes which include the word ‘Sterling.’”). *But see Lahoti v. Vericheck, Inc.*, No. C06-1132JLR, 2010 WL 1473976 (W.D. Wash. Apr. 9, 2010) (deeming a mark not weak based on third party usage, mostly in unrelated service markets).

187. 15 U.S.C. § 1125(c)(1) (2006). The dilution concept first appeared in an article by Frank Schechter. *See* Frank I. Schechter, *The Rational Basis of Trademark Protection*, 40 HARV. L. REV. 813, 832 (1927).

188. 15 U.S.C. § 1125(c)(2)(A).

marks receive the almost “in gross” rights provided by antidilution laws.¹⁸⁹ This provision was intended to prevent the use of federal dilution law to protect marks that have only achieved so-called “niche” fame (that is, fame in only a specialized market). However, recent case law has threatened this limit on dilution by finding marks famous that may not rise to the level of fame intended by the statute.¹⁹⁰

Fame is a concept that is closely related to strength of the mark. Strength of the mark, however, denotes the distinctiveness of a mark. A mark may be famous and not distinctive.¹⁹¹ The TDRA includes the additional requirement that a mark must be distinctive as well as famous.¹⁹² Whether a mark is famous is determined by examining a list of non-exclusive factors under the TDRA.¹⁹³ Many of these factors are similar to those examined in an analysis of the strength of a mark for purposes of trademark infringement.¹⁹⁴

The extent of unauthorized third party usage of the mark is highly relevant to a fame analysis.¹⁹⁵ Substantial third party use of a particular mark can impact whether a mark is famous or reduce the fame of the mark.¹⁹⁶ Thus, mark holders

189. *See* Bd. of Regents, Univ. of Tex. Sys. v. KST Elec., Ltd., 550 F. Supp. 2d 657, 674 (W.D. Tex. 2008) (noting that famous marks under the TDRA are “household names”).

190. *Dall. Cowboys Football Club, Ltd. v. America’s Team Props., Inc.*, 616 F. Supp. 2d 622, 636 (N.D. Tex. 2009) (finding the “America’s Team” mark famous amongst the general consuming public); *Univ. of Kan. v. Sinks*, 644 F. Supp. 2d 1287, 1306-07 (D. Kan. 2008) (finding numerous marks concerning the University of Kansas famous).

191. *V Secret Catalogue, Inc. v. Moseley*, 558 F. Supp. 2d 734, 746 (W.D. Ky. 2008).

192. 15 U.S.C. § 1125(c). Since the TDRA requires distinctiveness as well as fame, the cases concerning third party use and secondary meaning are relevant to the distinctiveness prong of a federal dilution action.

193. Those factors include:

- (i) The duration, extent, and geographic reach of advertising and publicity of the mark, whether advertised or publicized by the owner or third parties.
- (ii) The amount, volume, and geographic extent of sales of goods or services offered under the mark.
- (iii) The extent of actual recognition of the mark.
- (iv) Whether the mark was registered . . . on the principal register.

Id. § 1125(c)(2)(A).

194. *Id.*

195. Fame can be viewed as a higher level of secondary meaning than what is required to establish acquired distinctiveness for a trademark. However, a mark can be famous and not distinctive. Moreover, although the TDRA removed “third party” use from the statute in determining fame, third party use must still be relevant because it affects the strength of the mark. *See* 4 MCCARTHY, *supra* note 173, at § 24:106 (“The lack of an explicit mention of third party use in the ‘fame’ factors of the TDRA cannot, in the author’s view, mean that third party use is not a relevant factor to consider in the determination of whether a mark is deserving of the high status of being called ‘famous’ for purposes of dilution protection. Evaluating mark strength and fame by the degree of third party use is a method often used in traditional infringement analysis.”).

196. *Id.* § 24:106; *id.* § 24:108; *see* *Univ. of Kan. v. Sinks*, 565 F. Supp. 2d 1216, 1231-33

are incentivized to enforce their trademark rights vigorously to prohibit third party usage of the mark (regardless of what product or service is used), particularly since niche fame is no longer allowed under the TDRA.¹⁹⁷ This problem is further exacerbated by the fact that fame is determined from the perspective of consumers.

There are generally two types of dilution: blurring and tarnishment. Third party use may also impact whether a mark is subject to dilution by blurring—a mark’s ability to serve as an indicator of a sole source, and the particular third party use of a mark may result in tarnishment—the association of the mark with goods of poor quality or some sexual reference. The TDRA includes factors to determine whether dilution by blurring is likely.¹⁹⁸ For example, the TDRA specifically provides that the inherent and acquired distinctiveness of the mark is relevant along with the degree of recognition of the mark.¹⁹⁹ Courts may analyze these factors in much the same way as they analyze strength of the mark in the trademark infringement analysis. The TDRA also provides that a relevant factor in determining blurring is whether the owner of the famous mark has engaged in substantially exclusive use of the mark.²⁰⁰ This factor specifically

(D. Kan. 2008) (admitting evidence of third party use of a mark for purposes of proving strength and fame of the mark); *Milbank Tweed Hadley & McCloy, LLP v. Milbank Holding Corp.*, No. CV-06-187-RGK, 2007 WL 1438114, at *5 (C.D. Cal. Feb. 23, 2007) (“[E]vidence demonstrating widespread third-party use of the word ‘Milbank’ is relevant because, when a mark is in widespread use, it may not be famous for the goods or services of one business.”); *Smith v. Wal-Mart Stores, Inc.*, 475 F. Supp. 2d 1318, 1323 (N.D. Ga. 2007) (noting that third-party use of mark is relevant to the fame and distinctiveness inquiry for a tarnishment action).

197. *See* 15 U.S.C. § 1125(c)(1).

198. *Id.* § 1125(c)(2)(B). That section, in relevant part, provides:

For purposes of paragraph (1), “dilution by blurring” is association arising from the similarity between a mark or trade name and a famous mark that impairs the distinctiveness of the famous mark. In determining whether a mark or trade name is likely to cause dilution by blurring, the court may consider all relevant factors, including the following:

- (i) The degree of similarity between the mark or trade name and the famous mark.
- (ii) The degree of inherent or acquired distinctiveness of the famous mark.
- (iii) The extent to which the owner of the famous mark is engaging in substantially exclusive use of the mark.
- (iv) The degree of recognition of the famous mark.
- (v) Whether the user of the mark or trade name intended to create an association with the famous mark.
- (vi) Any actual association between the mark or trade name and the famous mark.

Id.

199. *Id.* §§ 1125(c)(2)(B)(ii), (iv).

200. *Id.* § 1125(c)(2)(B)(iii).

takes into account third party use.²⁰¹ This factor alone provides a substantial incentive for trademark owners to police third party usage—even in markets that are unrelated.²⁰² Accordingly, the availability of a cause of action for dilution by blurring provides strong incentives for trademark owners to police their marks vigorously because of the combination of strength of the mark measured by distinctiveness and fame and substantial exclusive use of the mark by the owner.²⁰³ The TDRA also provides several exclusions to trademark dilution actions designed to protect free speech and other interests;²⁰⁴ however, it is unclear at this time whether those protections will adequately protect free speech and other interests and deter policing efforts by trademark holders.²⁰⁵

201. *See* *Miss Universe, L.P. v. Villegas*, 672 F. Supp. 2d 575, 594 (S.D.N.Y. 2009) (“The plaintiff opposes registration and use of marks that it perceives infringes to infringe its own, and it has succeeded in obtaining injunctions against the use of marks like ‘Miss Nude USA’ and ‘Mrs. Nude USA,’ and ‘Mrs. USA,’ ‘Mrs. Universe,’ and ‘Mrs. [State or Locality] USA.’ It claims to spend more than three hundred thousand dollars each year to enforce its trademarks. ‘Miss USA,’ in short, is not a trademark whose value is already substantially diluted by its owner’s carelessness or indifference in protecting it. Miss Universe takes care to guard both the mark’s value and its exclusive use of that mark.” (internal citations omitted)); *V Secret Catalogue, Inc. v. Moseley*, 558 F. Supp. 2d 734, 746 (W.D. Ky. 2008) (“V Secret asserts that it is engaged in substantially exclusive use of the VICTORIA’S SECRET mark. In support of this contention, Vice President Kriss avers that V Secret actively and aggressively polices its mark against unauthorized and dilutive uses by others. It pursues unauthorized uses through cease and desist letters, trademark oppositions, and litigation. . . . We therefore find the requisite substantially exclusive use of the mark.” (internal citation omitted)).

202. In examining the second and third factors, Professor Barton Beebe notes that a mark such as apple for computers is “arbitrary” and thus inherently distinctive. Nevertheless, it is used by several other firms, most notably the record production company and the bank that go by the same name. This may function to narrow the scope of anti-blurring protection for such marks even though they are inherently distinctive. This is a progressive development and makes sense from the point of view of competition. Firms do not likely need to use the entirely fanciful marks . . . of other firms, but they may need or want to use the marks of other firms that are arbitrary . . . with respect to those other firms’ products.

Barton Beebe, *A Defense of the New Federal Trademark Antidilution Law*, 16 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 1143, 1171 (2006).

203. Mark owners are also incentivized to police “tarnishing” uses of their marks because they are unlikely to want their marks associated with low quality goods or sexual connotations.

204. 15 U.S.C. § 1125(c)(3).

205. *Cf. Starbucks Corp. v. Wolfe’s Borough Coffee, Inc.*, 588 F.3d 97, 112 (2d Cir. 2009) (“As evident from the statutory language, Black Bear’s use of the Charbucks Marks cannot qualify under the parody exception because the Charbucks Marks are used ‘as a designation of source for [Black Bear’s] own goods[, i.e., the Charbucks line of coffee].’”); *Louis Vuitton Malletier S.A. v. Haute Diggity Dog, LLC*, 507 F.3d 252, 266 (4th Cir. 2007) (“We begin by noting that parody is not automatically a complete *defense* to a claim of dilution by blurring where the defendant uses the parody as its own designation of source, i.e., *as a trademark*.” (emphases in original)). In an

5. *Fair Use*.—Under the classic fair use defense to trademark infringement, an alleged infringer is permitted use of a protected trademark in a descriptive way.²⁰⁶ Potential infringers can only take advantage of the defense if they used the mark in good faith. Despite the existence of this defense, mark holders are incentivized to police their marks and bring actions against third parties because of the reasons discussed in this section. They are also incentivized to threaten an action which may cause the alleged infringer to stop using the supposedly diluting or infringing mark. Moreover, if a mark holder sends a cease and desist letter to a potential infringer, it may result in the removal of good faith and thus

empirical study, Professor Clarisa Long found that “[j]udicial enforcement of dilution law is not robust today and has been eroding over time.” Clarisa Long, *Dilution*, 106 COLUM. L. REV. 1029, 1031 (2006). Professor Long does note that “[i]t could well be the case that dilution law is a powerful bargaining chip in cease-and-desist letters and in negotiations entirely outside the litigatory arena.” *Id.* In another empirical study analyzing cases reported one year after passage of the TDRA, Professor Beebe found that “[i]n the few reported opinions that addressed a speech-related issue, the TDRA’s new, more robust ‘[e]xclusions’ from antidilution protection played no appreciable role.” Barton Beebe, *The Continuing Debacle of U.S. Antidilution Law: Evidence from the First Year of Trademark Dilution Revision Act Case Law*, 24 SANTA CLARA COMPUTER & HIGH TECH. L.J. 449, 467 (2008) [hereinafter Beebe, *Antidilution Law*] (citations omitted). The TDRA also provides that an allegedly diluting use must be a use in commerce. See 15 U.S.C. § 1125(c)(1). This may provide some protection for free expression.

206. There is a common law version of the defense as well as a federal codification of the common law defense. The following is the common law defense of classical fair use as stated in the *Restatement of Unfair Competition*:

In an action for infringement of a trademark, trade name, collective mark, or certification mark, it is a defense that the term used by the actor is descriptive or geographically descriptive of the actor’s goods, services, or business, or is the personal name of the actor or a person connected with the actor, and the actor has used the term fairly and in good faith solely to describe the actor’s goods, services, or business or to indicate a connection with the named person.

RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 28 (1995). The statutory fair use defense provides:

That the use of the name, term, or device charged to be an infringement is a use, otherwise than as a mark, of the party’s individual name in his own business, or of the individual name of anyone in privity with such party, or of a term or device which is descriptive of and used fairly and in good faith only to describe the goods or services of such party, or their geographic origin

15 U.S.C. § 1115(b)(4).

The statutory fair use defense includes three elements: the alleged infringing mark was (1) not used as a trademark; (2) used fairly and in good faith; and (3) used only to describe its own goods or services. See *ETW Corp. v. Jireh Publ’g, Inc.*, 332 F.3d 915, 920 (6th Cir. 2003); *Packman v. Chi. Trib. Co.*, 267 F.3d 628, 639 (7th Cir. 2001); see also *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111, 117-19 (2004) (discussing the statutory fair use defense).

the option for the potential infringer to take advantage of the defense.²⁰⁷ This provides an incentive to mark holders to send cease and desist letters, which may also result in third parties ceasing use of the mark.

6. *Abandonment*.—In addition to other evidence, failure to enforce a mark against third parties may result in the loss of the mark through abandonment.²⁰⁸ Language concerning trademark abandonment is used by numerous courts in different contexts.²⁰⁹ Generally, trademark abandonment in the federal infringement context occurs in two situations. The first involves nonuse of the mark with intent not to resume use.²¹⁰ The second involves an act or omission that may lead to a mark essentially becoming generic.²¹¹ Evidence of failure to

207. *Cf. Elvis Presley Enters., Inc. v. Capece*, 141 F.3d 188, 205 (5th Cir. 1998) (“Any acts after receiving a cease and desist letter are at the defendant’s own risk because it is on notice of the plaintiff’s objection to such acts.”); *Bd. of Regents, Univ. of Tex. Sys. v. KST Elec., Ltd.*, 550 F. Supp. 2d 657, 665 (W.D. Tex. 2008) (noting the same); *Frito-Lay, Inc. v. Bachman Co.*, 704 F. Supp. 432, 437 (S.D.N.Y. 1989) (“Awareness of pre-existing use of a mark can give rise to an inference of bad faith.”). *But see Packman*, 267 F.3d at 642 (finding no bad faith based only on the alleged infringer’s knowledge of the existence of owner’s mark); *Streetwise Maps, Inc. v. VanDam, Inc.*, 159 F.3d 739, 746 (2d Cir. 1998) (“Defendants’ failure to perform an official trademark search, even with the knowledge that plaintiff marketed its maps under the Streetwise name, does not standing alone prove that they acted in bad faith.”); *Int’l Stamp Art, Inc. v. U.S. Postal Serv.*, No. 1:02-CV-2459-TWT, 2005 WL 3947951, at *5 (N.D. Ga. May 27, 2005) (finding the alleged infringer’s knowledge of a mark insufficient for a finding of bad faith), *aff’d*, 456 F.3d 1270 (11th Cir. 2006); *Wonder Labs, Inc. v. Proctor & Gamble Co.*, 728 F. Supp. 1058, 1064 (S.D.N.Y. 1990) (refusing to find bad faith where plaintiff’s primary proof of bad faith was the alleged infringer’s failure to stop using the mark after receiving a cease and desist letter).

208. *See Glover v. Ampak, Inc.*, 74 F.3d 57, 60 (4th Cir. 1996) (“[E]vidence of others’ use of the . . . [purported trademark] might be probative of trademark dilution or, if the usage was known by . . . [the alleged trademark owner], abandonment.”); *Quality Inns Int’l, Inc. v. McDonald’s Corp.*, 695 F. Supp. 198, 214 (D. Md. 1988) (“Third-party uses permitted by the owner of a mark may also be probative of the abandonment of a mark by the owner.”).

209. *See* 3 MCCARTHY, *supra* note 173, at § 17:17 (disagreeing with courts using language concerning abandonment in the context of a mark holder failing to enforce its mark against third parties). Professor McCarthy would categorize failure to enforce a mark not as abandonment, but as impacting the strength of the mark. *Id.*

210. Section 1127 of 15 U.S.C., concerning “abandonment,” provides:

A mark shall be deemed to be “abandoned” if . . . its use has been discontinued with intent not to resume such use. Intent not to resume may be inferred from circumstances. Nonuse for 3 consecutive years shall be prima facie evidence of abandonment. “Use” of a mark means the bona fide use of such mark made in the ordinary course of trade, and not made merely to reserve a right in a mark.

15 U.S.C. § 1127 (2006).

211. Section 1127 of 15 U.S.C., in relevant part, states:

A mark shall be deemed to be “abandoned” if . . . any course of conduct of the owner, including acts of omission as well as commission, causes the mark to become the generic name for the goods or services on or in connection with which it is used or

enforce a mark is likely particularly relevant in the latter situation; however, that same evidence may be relevant in the former situation to demonstrate an intent not to resume use of the mark. Thus, trademark holders have an incentive to enforce their rights or lose them by abandonment.²¹² “Once a mark has been held abandoned, it is free for all to use and falls into the public domain.”²¹³

7. *Equitable Defenses.*—Failure to police third party usage and other conduct may also result in the loss of trademark rights through either laches or some other equitable defense such as estoppel or perhaps even acquiescence.²¹⁴ The application of these defenses results in a party essentially receiving an

otherwise to lose its significance as a mark. Purchaser motivation shall not be a test for determining abandonment under this paragraph.

15 U.S.C. § 1127; *see also* Sung In, Note, *Death of a Trademark: Genericide in the Digital Age*, 21 REV. LITIG. 159, 173 (2002) (“[A] reasonably diligent mark owner would invariably police . . . [improper generic use on a competitor’s similar product] as it falls within the ambit of trademark infringement, and failure to do so could end mark ownership.”).

212. *Herman Miller, Inc. v. Palazzetti Imports & Exports, Inc.*, 270 F.3d 298, 317 (6th Cir. 2001) (“Although it appears unlikely that failure to prosecute, by itself, can establish that trade dress has been abandoned, it is possible that, in extreme circumstances, failure to prosecute may cause trade dress rights to be extinguished by causing a mark to lose its significance as an indication of source.”); *Sweetheart Plastics, Inc. v. Detroit Forming, Inc.*, 743 F.2d 1039, 1048 (4th Cir. 1984) (“A party may be deemed to have abandoned a valid trademark by permitting such excessive adverse use of a mark that it has lost its significance as an indication of origin.”); *see also* *Pebble Beach Co. v. Tour 18 I Ltd.*, 155 F.3d 526, 542-43 (5th Cir. 1998) (finding that aggressive policing of a mark is relevant to the issue of abandonment), *abrogated by* *Amazing Spaces, Inc. v. Metro Mini Storage*, 608 F.3d 225 (5th Cir. 2010).

213. *Quality Inns Int’l, Inc.*, 695 F. Supp. at 214. However, it is difficult for a mark to be held to be abandoned even with extensive third party use. *See Sweetheart Plastics*, 743 F.2d at 1047-48; *Wallpaper Mfrs. Ltd. v. Crown Wallcovering Corp.*, 680 F.2d 755, 766 (C.C.P.A. 1982) (“[A]n owner is not required to act immediately against every possibly infringing use to avoid a holding of abandonment. Such a requirement would unnecessarily clutter the courts.” (internal citation omitted)). In *Board of Governors of University of North Carolina v. Helpingstine*, 714 F. Supp. 167 (M.D.N.C. 1989), the court found that notwithstanding many years of third party use, the University of North Carolina had not abandoned its marks by failing to enforce them against third parties. *Id.* at 171-72. The court determined that the university had continued to use its marks and that those marks had not lost their significance as indicators of source—thus, the marks were not abandoned. *Id.* If there is residual goodwill, some courts may not find abandonment. *See* Michael S. Denniston, *Residual Good Will in Unused Marks—The Case Against Abandonment*, 90 TRADEMARK REP. 615, 634 (2000) (“If good will in the mark persists—‘residual good will’—courts should protect the public interest by refusing to allow a junior user to appropriate the mark.”); McKenna, *Normative Foundations*, *supra* note 15, at 1893 n.233 (citing cases).

214. *See* JAY DRATLER, JR., LICENSING OF INTELLECTUAL PROPERTY § 3.05 (1999) (discussing equitable principles that are effectively “implied licenses”). In *American International Group, Inc. v. American International Bank*, 926 F.2d 829 (9th Cir. 1991), the court denied injunctive relief because of laches in a trademark matter.

implied license to use a mark if a mark holder has failed to enforce it.²¹⁵ For example, laches may be an effective defense against enforcement of trademark rights against a particular alleged infringer. A trademark holder may be subject to a laches defense when it unreasonably or negligently delays enforcing its rights.²¹⁶ Thus, laches may be available as a defense where an alleged infringer can demonstrate: “(1) lack of diligence by the party against whom the defense is asserted, and (2) prejudice to the party asserting it.”²¹⁷ While this defense may only be available to a particular accused infringer, it nevertheless gives mark holders yet another incentive to police their rights.²¹⁸ If a mark holder is not adequately policing its mark, it may lose the right to stop an alleged infringer. This is particularly true if a trademark owner does not acquire federal trademark registration and nationwide constructive use rights to protect areas in which the trademark holder would like to expand.²¹⁹ Acquiescence may similarly estop a trademark holder from successfully enjoining an alleged infringer, but it also

215. Cf. DRATLER, *supra* note 214, at § 3.04(8)(d) (stating that it is unnecessary for the court to find an implied license because of the defense of fair use; also, absent the ability for the court to imply provisions concerning quality control, it may be difficult for a court to impose those terms on a purported trademark licensee without evidence of an “existing contract or a longstanding business relationship”).

216. *E.g.*, *Nartron Corp. v. STMicroelectronics, Inc.*, 305 F.3d 397, 408 (6th Cir. 2002). Laches may be difficult to prove because a mere long delay in enforcement of a mark is insufficient to find the defense applicable. *See Carl Zeiss Stiftung v. VEB Carl Zeiss Jena*, 433 F.2d 686, 704 (2d Cir. 1970) (finding a fourteen-year delay in bringing suit insufficient for the laches defense).

217. *Nartron Corp.*, 305 F.3d at 408; *see also Miller v. Glenn Miller Prods., Inc.*, 454 F.3d 975, 997, 999 (9th Cir. 2006) (“In considering whether a plaintiff’s delay was unreasonable, courts consider: (1) the length of the delay, measured from the time the plaintiff knew or should have known about his potential cause of action, and (2) whether the plaintiff’s delay was reasonable, including whether the plaintiff has proffered a legitimate excuse for his delay. . . . A defendant may establish prejudice by showing that during the delay, it invested money to expand its business or entered into business transactions based on his presumed rights.”).

218. Some jurisdictions may recognize the doctrine of progressive encroachment, which will excuse delay in bringing suit until a competitor has used a trademark in sufficient manner as to constitute a likelihood of confusion. *See AM Gen. Corp. v. DaimlerChrysler Corp.*, 311 F.3d 796, 823-24 (7th Cir. 2002); *Kellogg Co. v. Exxon Corp.*, 209 F.3d 562, 570-73 (6th Cir. 2000).

219. Professor Landes and Judge Posner explain that

[t]he doctrine of laches . . . forces *A*[, the prior user,] to internalize *B*’s[, the subsequent user’s,] cost of duplication when appropriate. If *A* has reason to know that *B* is proceeding to develop a similar mark in ignorance of *A*’s prior use, *A*, unless he has registered his mark, must, on pain of not being able to use it in his expansion markets, warn *B* off. The cost to *A* of preventing the collision of the two marks is less than that of *B*. But if *B*, rather than proceeding in ignorance of *A*’s prior use (that is, in good faith), has deliberately copied *A*’s mark, the costs of duplication are self-imposed; *B* is the cheapest cost avoider and the defense of laches to *A*’s suit for infringement is rejected.

LANDES & POSNER, *ECONOMIC STRUCTURE*, *supra* note 10, at 183.

only applies to the alleged infringer.²²⁰ Thus, equitable defenses may provide an additional incentive for firms to police and enforce their marks.

8. *Licensing*.—Generally, in the licensing context, if a licensor fails to exercise control over the quality of the goods and services used in connection with a licensed mark, the mark holder may lose its trademark rights.²²¹ This requirement thus provides an incentive for trademark holders to police potential licensees.²²² This makes sense from a consumer search cost perspective since a use of the mark by licensees that is inconsistent with the use by the mark holder may result in consumer confusion.²²³

9. *Other Reasons to Police*.—There are several other reasons for mark holders to police usage of their marks. Firms may attempt to acquire a competitive advantage by foreclosing a competitor's use of a word or symbol necessary or effective for purposes of competition. A trademark owner may send a cease and desist letter to an alleged infringer, which may result in that party stopping use of the mark, even if the alleged infringer may have a right to use that mark to avoid costly and uncertain litigation. Moreover, trademark owners who do not police their marks risk losing market share.²²⁴ Additionally, trademark owners may send cease and desist letters to improve their chances of receiving an award of attorney fees.²²⁵ Receipt of a cease and desist letter followed by continued use by the accused infringer (along with other facts) may result in a finding of an exceptional case leading to an award of attorney fees.²²⁶

220. *Quality Inns Int'l, Inc. v. McDonald's Corp.*, 695 F. Supp. 198, 213 (D. Md. 1988). *But see* DRATLER, *supra* note 214, § 3.05(1)(a) (stating that estoppel may work in the opposite direction if a trademark owner sends a cease and desist letter and then fails to follow up with an infringement action).

221. *Miller*, 454 F.3d at 993; RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 33 (1995) ("Failure of the licensor to exercise reasonable control over the use of the designation by the licensee can result in abandonment . . .").

222. Once a licensee exceeds the scope of the license, the licensor can bring a cause of action for trademark infringement. *See Miller*, 454 F.3d at 996 (recognizing that the relationship between scope of license and trademark infringement action remains).

223. Notably, courts have increasingly relaxed the requirement of quality control, recognizing that necessary quality control may be based upon a long-term or other special relationship. *See TMT N. Am., Inc. v. Magic Touch GmbH*, 124 F.3d 876, 885-86 (7th Cir. 1997); *Ky. Fried Chicken Corp. v. Diversified Packaging Corp.*, 549 F.2d 368, 387 (5th Cir. 1977); *see also* RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 33 cmt. c (1995). At least one commentator argues that the quality control requirement for licensing should be abandoned. *See generally* Kevin Parks, "Naked" Is Not a Four-Letter Word: Debunking the Myth of the "Quality Control Requirement" in Trademark Licensing, 82 TRADEMARK REP. 531 (1992).

224. Michael J. Freno, *Trademark Valuation: Preserving Brand Equity*, 97 TRADEMARK REP. 1055, 1063 (2007) ("[A]n infringer's unauthorized use of a trademark is likely cutting into the trademark owner's sales and profits, which directly decreases the brand value under an expected income valuation." (internal citation omitted)).

225. 15 U.S.C. § 1117 (2006 & Supp. 2009).

226. Section 1117 of 15 U.S.C., in relevant part, provides: "The court in exceptional cases

10. *Conclusion.*—The structure of trademark law provides a strong incentive for trademark owners to police their marks vigorously because of the threat of a loss or lessening of rights—even against non-competitors—or the lure of a competitive advantage. As Judge Posner stated:

[IHSA] could have sued . . . [CBS] . . . for using its trademark [March Madness] to promote CBS's broadcast of the NCAA championship. And it could have supplicated them not to spoil its trademark by using it to name something else. A serious trademark holder is assiduous in endeavoring to convince dictionary editors, magazine and newspaper editors, journalists and columnists, judges, and other lexicographically influential persons to avoid using his trademark to denote anything other than the trademarked good or service. These efforts sometimes succeed. IHSA was not assiduous.²²⁷

may award reasonable attorney fees to the prevailing party.” 15 U.S.C. § 1117(a); *see also* Tap Publ'ns, Inc. v. Chinese Yellow Pages (N.Y.) Inc., 925 F. Supp. 212, 224 (S.D.N.Y. 1996) (“In order to find that a case is ‘exceptional’ under this provision, there must be a showing of bad faith.”). In *International Star Class Yacht Racing Ass'n v. Tommy Hilfiger, U.S.A., Inc.*, 80 F. 3d 749 (2d Cir. 1996), the court found that the district court made several clearly erroneous findings on bad faith and willful infringement and failed to consider all of the evidence concerning those two findings. *Id.* at 753-55. The court noted that

[t]he suit gave Hilfiger notice of its potential trademark violation, and . . . Hilfiger nonetheless continued to sell its merchandise with the infringing mark, racking up over \$3 million in sales, without regard for the rights of ISCYRA. As counsel for Hilfiger admitted during oral argument, Hilfiger was betting on the fact that ISCYRA would not prevail in its suit. Hilfiger lost that bet, and should not escape the consequences of its conduct.

Id. at 754. Notably, on remand, the district court did not find bad faith or willful infringement. *Int'l Star Class Yacht Racing Ass'n v. Tommy Hilfiger, U.S.A., Inc.*, No. 94 CIV 2663 (RPP), 1999 WL 108739, at *3 (S.D.N.Y. Mar. 3, 1999). The district court explained:

In view of the fact that (1) Hilfiger was only using the Star Class mark as an embellishment on its Nantucket line of clothing, which was exceedingly well trademarked with the Hilfiger name designating the source of the goods, (2) there is no showing that Hilfiger intended to copy a trademark, (3) Hilfiger's conduct was consistent with the advice of its attorneys concerning when a full search would be required, and (4) Hilfiger was reasonably advised by its attorneys that the Star Class mark was weak, the Court finds that the evidence is insufficient to support a finding of bad faith.

Id. at *3.

227. *Ill. High Sch. Ass'n v. GTE Vantage Inc.*, 99 F. 3d 244, 246 (7th Cir. 1996). In *GTE Vantage Inc.*, the Seventh Circuit did not allow the senior user to prohibit use of its mark after the senior user failed to adequately police its rights, and the public appropriated the mark. *Id.* at 246-48; *see* Joseph E. Washington, *The Impact of Public and Media Use on Trademark Rights: An Analysis of Illinois High School Ass'n v. GTE Vantage Inc. and “Dual-Use” Terms*, 48 CATH. U. L. REV. 605, 609 (1999) (“[T]he Seventh Circuit allowed both entities to continue using the mark.

Notably, the drive to enforce trademarks and the difficulty involved in actively policing them has led to the development of many businesses that offer trademark monitoring services, including watching for trademark filings that may be infringing and policing the use of trademarks on the Internet and other uses.²²⁸ Trademark owners who fail to police their marks take great risks with the value of their marks under trademark law.

C. The Expansion of Trademark Law and the Inadequacy of the Consumer Search Cost Theory

The failure of the search cost theory to provide adequate limits to trademark law has led to the adoption and development of new doctrines that are criticized as unproductively expansive. In some cases, protection is afforded where it should not be provided, and trademark law is offering remedies for harms that it should not be concerned about preventing. Some specific areas where search cost theory—and thus, consumer perception—has failed to provide sufficient limits to trademark rights include merchandising rights, dilution, new theories of confusion, the trademark “use” requirement for infringement, the *Dawn Donut* rule, and maintenance of the public domain.

1. *Merchandising.*—In merchandising rights cases, courts have allowed protection for marks used in connection with goods and services that are ancillary to the primary good or service with which the mark is used.²²⁹ In those cases,

... The decision suggests, therefore, that trademark owners should be diligent in policing the use of their trademarks by others or risk losing protection of their trademark rights.” (internal citations omitted)). The court in *GTE Vantage Inc.* also noted that a senior user cannot take a mark that the public is using and render the public speechless. *GTE Vantage Inc.*, 99 F.3d at 247. This decision seems to indicate that a mark holder should not allow public and media usage and that the mark holder should immediately assert its rights before any reliance interest by the public evolves.

228. See, e.g., *AdGoroo Products Overview*, ADGOOROO SEM INSIGHT, http://www.adgoroo.com/adgoroo_products_overview.php (last visited Mar. 25, 2011); BRANDPROTECTION AGENCY, <http://www.brandprotectionagency.com/> (last visited Mar. 25, 2011); BRANDVERITY, <https://www.brandverity.com/> (last visited Mar. 25, 2011); CORP.SERV.CO., https://www.cscglobal.com/global/web/csc/brand-monitoring.html?iq_id=8779138 (last visited Mar. 25, 2011); *Trademark Infringement Monitoring Service*, CYBERALERT, http://www.cyberalert.com/app_trademark_infringement.html (last visited Mar. 25, 2011); PPCENFORCER, <http://ppcenforcer.com> (last visited Mar. 25, 2011); THOMSON COMPUMARK, <http://compumark.thomson.com/> (last visited Mar. 25, 2011); TRADEMARK CONFIDENCE, <http://www.trademarkconfidence.com/welcome.html> (last visited Mar. 25, 2011); see also CHILLING EFFECTS CLEARINGHOUSE, <http://www.chillingeffects.org> (last visited Mar. 25, 2011).

229. *Bd. of Supervisors for La. State Univ. Agric. & Mech. Coll. v. Smack Apparel Co.*, 550 F.3d 465, 483-84 (5th Cir. 2008) (“Smack’s use of the Universities’ colors and indicia . . . [on t-shirts] is designed to create the illusion of affiliation with the Universities and essentially obtain a ‘free ride’ by profiting from confusion among the fans of the Universities’ football teams who desire to show support for and affiliation with those teams.”); *Univ. of Ga. Athletic Ass’n v. Laite*, 756 F.2d 1535, 1546 n.28 (11th Cir. 1985) (“The record in the instant case reveals that, in one

there is very little chance that such merchandising uses will raise consumer search costs for the primary good or service with which the mark is used in connection, unless one accepts that possible tarnishment increases consumer search costs. Indeed, scholars have been critical of the expansion of trademark protection to merchandising.²³⁰ Notably, the recognition of a mark in connection with certain goods or services may increase if other companies produce shirts or

week, at least ten to fifteen members of the public contacted UGAA to inquire about the connection between ‘Battlin’ Bulldog Beer’ and the University of Georgia. This evidence indicates that . . . at least some members of the public *do* assume that products bearing the mark of a school or a sports team are sponsored or licensed by the school or team.” (emphasis in original) (internal citation omitted)); *Auburn Univ. v. Moody*, No. 3:08cv796-CSC, 2008 WL 4877542, at *8 (M.D. Ala. Nov. 4, 2008) (“In . . . [other] words, confusion can occur when it appears that the owner of the marks, in this case, Auburn University, sponsored Moody’s use of its marks.”); *cf. Au-Tomotive Gold, Inc. v. Volkswagen of Am., Inc.*, 457 F.3d 1062, 1074 (9th Cir. 2006) (stating that trademarks were infringed by the defendant’s production of license plates, license plate covers, and key rings using the plaintiff’s marks); *Nat’l Bus. Forms & Printing, Inc. v. Ford Motor Co.*, No. H-08-1906, 2009 WL 3570387, at *5 (S.D. Tex. Oct. 30, 2009) (finding that NBFP “used” Ford’s marks in connection with goods because the decals and stickers were the goods). The case that contributed to the expansion of merchandising rights is *Boston Professional Hockey Ass’n, Inc. v. Dallas Cap & Emblem Manufacturing, Inc.*, 510 F.2d 1004 (5th Cir. 1975). In *Boston Professional Hockey Ass’n*, the court held that the defendant infringed the plaintiff’s trademark by reproducing the mark as a patch, knowing that purchasers would know that the copies were the plaintiff’s mark. *Id.* at 1011 (“When defendant causes plaintiffs’ marks to be embroidered upon emblems which it later markets, defendant uses those marks in connection with the sale of goods as surely as if defendant had embroidered the marks upon knit caps.”). *Boston Professional Hockey Ass’n* has been limited in a subsequent Fifth Circuit case, and the Ninth Circuit declined to follow it. *See* *Supreme Assembly, Order of Rainbow for Girls v. J.H. Ray Jewelry Co.*, 676 F.2d 1079, 1085 (5th Cir. 1982); *Int’l Order of Job’s Daughters v. Lindeburg & Co.*, 633 F.2d 912, 918 (9th Cir. 1980) (“It is not uncommon for a name or emblem that serves in one context as a collective mark or trademark also to be merchandised for its own intrinsic utility to consumers. We commonly identify ourselves by displaying emblems expressing allegiances. Our jewelry, clothing, and cars are emblazoned with inscriptions showing the organizations we belong to, the schools we attend, the landmarks we have visited, the sports teams we support, the beverages we imbibe. Although these inscriptions frequently include names and emblems that are also used as collective marks or trademarks, it would be naive to conclude that the name or emblem is desired because consumers believe that the product somehow originated with or was sponsored by the organization the name or emblem signifies.”); *Ky. Fried Chicken Corp. v. Diversified Packaging Corp.*, 549 F.2d 368, 389 (5th Cir. 1977) (“Under these circumstances we do not believe *Boston Hockey* equates knowledge of the *symbol’s* source with confusion sufficient to establish trademark infringement” (emphasis in original)).

230. *See* Dogan & Lemley, *Merchandising Right*, *supra* note 67, at 465 (“When a trademark is sold, not as a source indicator, but as a desirable feature of a product, competition suffers—and consumers pay—if other sellers are shut out of the market for that feature.”). *But see generally* Robert C. Denicola, *Institutional Publicity Rights: An Analysis of the Merchandising of Famous Trade Symbols*, 62 N.C. L. REV. 603 (1984) (proposing a merchandising right for trademarks).

other items using the mark, and thus may lower search costs.

Trademark owners do have some valid concerns with such usage.²³¹ Because the consumer confusion analysis is driven by what the consumer may perceive, merchandising may also lead to some form of sponsorship or association confusion, where the consumer believes that the merchandise comes from the mark holder or is “officially licensed.”²³² This is another example of how a trademark owner may control the consumer’s perception of a mark and thereby expand its trademark rights.²³³ A trademark owner may be concerned with the quality of the merchandise used in connection with its mark.²³⁴ A junior user of a mark may use the mark owner’s mark on merchandise of a dissimilar quality than the mark owner’s merchandise. That could lead to tarnishment and arguably some type of confusion actionable under a consumer search cost theory. Moreover, the value of licensing trademarks as merchandise will continue to drive trademark owners to enforce licensing uses, and the consumer search cost theory allows them to do so. Indeed, one source states that in 2009, the estimated worldwide retail sales of licensed products amounted to \$182.4 billion.²³⁵

231. There are additional reasons why trademark doctrine provides an incentive to police merchandising uses. For example, a trademark owner may worry that third party usage in the merchandising context will lead to a weakening of the strength of the mark in its primary context or create an argument for abandonment. See *supra* notes 182-86 and accompanying text.

232. Cf. *Univ. of Ga. Athletic Ass’n*, 756 F.2d at 1546 n.28 (“Furthermore, in our view, most consumers who purchase products containing the name or emblem of their favorite school or sports team would prefer an officially sponsored or licensed product to an identical non-licensed product. Were this not true, the word ‘official’ would not appear in so many advertisements for such products.”).

233. See 4 MCCARTHY, *supra* note 173, at § 24:9 (“If consumers think that most uses of a trademark require authorization, then in fact they will require authorization because the owner can enjoin consumer confusion caused by unpermitted uses or charge for licenses. And if owners can sue to stop unauthorized uses, then only authorized uses will be seen by consumers, creating or reinforcing their perception that authorization is necessary.”); Gibson, *supra* note 107, at 907 (noting how trademark licensing practices create a feedback loop leading to expansive trademark protection); Lemley, *supra* note 2, at 1708 (“It is possible that consumers have come to expect that ‘Dallas Cowboys’ caps are licensed by the Cowboys, not because they serve a trademark function, but simply because the law has recently required such a relationship. If this expectation exists, consumers may be confused if the law changes.”); Lunney, *supra* note 1, at 397 (“Whether such use is likely to generate confusion, of sponsorship or otherwise, is thus circular—both a reflection and the determinant of the trademark owner’s rights.”); McKenna, *Trademark Use*, *supra* note 14, at 821-22 (noting the feedback loop).

234. 4 MCCARTHY, *supra* note 173, at § 24:8 (noting that “[c]onsumers will look to the university to be the party responsible for poor quality goods, even though they know full well that the university is not a manufacturer”). Professor McCarthy also states that in his opinion, “the ordinary consumer seeing non-licensed university-marked wearing apparel is likely to be confused as to sponsorship, affiliation or connection.” *Id.*

235. See Tony Lisanti, *The Rebound Continues*, LICENSE! MAG., Oct. 1, 2010, available at <http://www.licensemag.com/licensemag/Home/The-Rebound-Continues/ArticleStandard/>

Consumer search cost theory, which is grounded in consumer perception, is likely to lead to overprotection of trademark rights in the merchandising context, or at least to situations where we should seriously question whether trademark rights should be expanded.²³⁶

2. *Dilution.*—As noted previously, mark owners expend a tremendous amount of resources adopting and maintaining their marks. Marks are valued in the billions of dollars. It is not surprising that mark holders desire to protect extremely valuable marks even where there is no likelihood of confusion. Indeed, mark holders want to exploit their marks to the fullest extent possible, which includes garnering any revenue streams from the use of their marks, as well as ensuring that their marks continue to maintain their singularity as indications of source and their carefully crafted images. Thus, the antidilution cause of action, which does not require a demonstration of a likelihood of confusion, provides a powerful weapon for trademark owners. Courts and commentators have attempted to justify antidilution laws (under both a tarnishment and a blurring theory) with the consumer search cost theory.²³⁷ Judge Posner has provided an explanation of how antidilution law reduces consumer search costs:

[T]here is concern that consumer search costs will rise if a trademark becomes associated with a variety of unrelated products. Suppose an upscale restaurant calls itself “Tiffany.” There is little danger that the consuming public will think it’s dealing with a branch of the Tiffany jewelry store if it patronizes this restaurant. But when consumers next see the name “Tiffany” they may think about both the restaurant and the

Article/detail/690494.

236. Cf. Dogan & Lemley, *Merchandising Right*, *supra* note 67, at 463-65 (arguing generally against a broad merchandising right, for using disclaimers to avoid confusion, and against protection where the justification for liability is that it is property of the trademark owner). Notably, another area of expansion has occurred in cases involving sponsorship or association confusion. See generally Lemley & McKenna, *supra* note 99.

237. See, e.g., *Ty, Inc. v. Perryman*, 306 F.3d 509, 511 (7th Cir. 2002); LANDES & POSNER, *ECONOMIC STRUCTURE*, *supra* note 10, at 206-09; Sarah B. Chopnick, *Search Costs and Famous Foreign Marks: Should Congress Reduce the Search Costs of the Global Consumer and Protect Famous Foreign Marks?*, 5 SETON HALL CIRCUIT REV. 213, 215-16 (2008) (arguing that the blurring type of dilution is necessary to reduce consumer search costs.); Stacey L. Dogan & Mark A. Lemley, *What the Right of Publicity Can Learn from Trademark Law*, 58 STAN. L. REV. 1161, 1197 (2006) (“But like traditional trademark law, dilution properly understood is targeted at reducing consumer search costs.”); Richard A. Posner, *When Is Parody Fair Use?*, 21 J. LEGAL STUD. 67, 75 (1992) (“The idea is that the reputation built up by Coca-Cola may be impaired by the association of its trademarks with shoddy or sleazy activities, such as the traffic in illegal drugs. The idea can be given an economic form. A trademark seeks to economize on information costs by providing a compact, memorable, and unambiguous identifier of a product or service. The economy is less when, because the trademark has other associations, a person seeing it must think for a moment before recognizing it as the mark for the product or service.”).

jewelry store, and if so the efficacy of the name as an identifier of the store will be diminished. Consumers will have to think harder—incur as it were a higher imagination cost—to recognize the name as the name of the store.²³⁸

However, several commentators have criticized the use of the consumer search cost theory to support antidilution laws, particularly in the case of blurring.²³⁹ Indeed, blurring has come under frequent attack by commentators,²⁴⁰ some experts have tried to defend the blurring concept under the search costs rationale with cognitive theory by arguing that blurring leads to a delay in recall of a single source associated with a mark.²⁴¹ At least two commentators have argued that dilution should be justified under an anti-free riding rationale or perhaps a justification based on providing an incentive to adopt and maintain famous marks.²⁴² Implicitly, if not expressly, these authors recognize that search cost theory provides an inadequate basis for blurring or tarnishment theories of dilution, at least where there is unlikely to be any consumer confusion.²⁴³

The search cost theory appears to provide a weak basis for antidilution laws, which may help explain why the theory has not been a helpful limiting guide in determining when dilution should be actionable. Professor David Franklyn importantly notes:

There is scant empirical evidence that multiple uses of a famous mark dilute the selling power of the mark in connection with the first class of products to which it was attached. . . . Indeed, if dilution were a real risk, famous mark owners would rarely, if ever, license their marks for use in

238. *Perryman*, 306 F.3d at 511.

239. Robert G. Bone, *A Skeptical View of the Trademark Dilution Revision Act*, 11 INTELL. PROP. L. BULL. 187, 189-93 (2007); Robert G. Bone, *Schechter's Ideas in Historical Context and Dilution's Rocky Road*, 24 SANTA CLARA COMPUTER & HIGH TECH. L.J. 469, 473-74 (2008); see also Beebe, *Antidilution Law*, *supra* note 205, at 464 ("There are several fundamental problems with . . . [the search cost] theory of antidilution law, not the least of which is how it accounts for dilution by 'tarnishment' or why it should be provided only to famous marks." (internal citation omitted)); Daniel Klerman, *Trademark Dilution, Search Costs, and Naked Licensing*, 74 FORDHAM L. REV. 1759, 1767 (2006) ("If blurring increases search costs only a little, the costs of the blurring cause of action may outweigh its benefits.").

240. See generally Sara Stadler Nelson, *The Wages of Ubiquity in Trademark Law*, 88 IOWA L. REV. 731 (2003) (arguing that trademark owners who use their marks on diverse products—ubiquitous use—are not entitled to a remedy under dilution); Rebecca Tushnet, *Gone in Sixty Milliseconds: Trademark Law and Cognitive Science*, 86 TEX. L. REV. 507 (2008).

241. Jacob Jacoby, *The Psychological Foundations of Trademark Law: Secondary Meaning, Genericism, Fame, Confusion and Dilution*, 91 TRADEMARK REP. 1013, 1046-50 (2001); Jerre B. Swann, Sr., *Dilution Redefined for the Year 2002*, 92 TRADEMARK REP. 585, 606-23 (2002).

242. See Franklyn, *supra* note 82, at 117 (arguing for a dilution cause of action based on anti-free-riding rationale); Rose, *supra* note 82, at 663 (noting that antidilution rights are based on an earned property right theory).

243. See Franklyn, *supra* note 82, at 130.

collateral markets on a variety of different types of goods. Yet this type of licensing occurs frequently.²⁴⁴

Moreover, some arguably diluting uses may increase the source-identifying power of a mark, rather than dilute the mark. Thus, courts applying antidilution law are likely relying on anti-free riding concerns.

If consumer search cost theory did support antidilution law (and some believe it does), mark holders would continually push for greater rights to the detriment of the public interest, especially since they would be (at least in part) in control of the scope of their rights under a legal regime that focuses on consumer perception. However, this does not mean that mark holders should be entitled to control all uses of their marks, particularly those uses that impact the interests of the public, including the protection of other values. For example, a potentially tarnishing use should not be prohibited at the preliminary or permanent injunction stage if free speech values are implicated and outweigh other concerns. Given the reliance by some courts on a consumer search cost rationale for antidilution laws, it is not surprising that dilution law continues to expand despite efforts to rein it in.²⁴⁵

3. *New Theories of Confusion.*—Another area of expansion involves new theories of confusion: post-sale, reverse, initial interest, and sponsorship and association confusion. Under the consumer search cost theory, any likelihood of confusion at any conceivable stage in the purchase or use of a good or service could increase consumer search costs from the perspective of the consumer.

a. *Post-sale confusion.*—Post-sale confusion is confusion that occurs after the point of sale.²⁴⁶ For example, if the consumer encounters a mark in connection with a good that a person is wearing, such as a chevron-type symbol on the back of blue jeans, the consumer may be confused by a similarly shaped

244. *Id.* at 131 (internal citations omitted).

245. *See supra* notes 186-205 and accompanying text.

246. One of the first cases applying the post-sale confusion theory was *Mastercrafters Clock & Radio Co. v. Vacheron & Constantin-LeCoultre Watches, Inc.*, 221 F.2d 464, 466-67 (2d Cir. 1955) (finding likely confusion after the point of sale when visitors to owners of junior user's clock would think the clock was the senior user's more expensive Atmos clock). Many other courts have recognized post-sale confusion as a viable theory to support a finding of trademark infringement. *See, e.g.*, *Karl Storz Endoscopy-Am., Inc. v. Surgical Techs., Inc.*, 285 F.3d 848, 854-55 (9th Cir. 2002) (holding that the district court erred in finding a lack of genuine issue of material fact in post-sale confusion); *Ferrari S.P.A. v. Roberts*, 944 F.2d 1235, 1244-45 (6th Cir. 1991) (finding likely confusion after point of sale based on sale of Ferrari replicas); *Keds Corp. v. Renee Int'l Trading Corp.*, 888 F.2d 215, 222 (1st Cir. 1989) (noting that prospective customers may be confused by a similar label on backs of shoes); *A.T. Cross Co. v. Jonathan Bradley Pens, Inc.*, 470 F.2d 689, 692 (2d Cir. 1972) (recognizing likely confusion amongst users of pens); *Adidas-Am., Inc. v. Payless Shoesource, Inc.*, 546 F. Supp. 2d 1029, 1058 (D. Or. 2008) (recognizing that initial interest and post-sale confusion are well established theories in the Ninth Circuit); *T. Anthony, Ltd. v. Louis Vuitton Malletier*, No. 93 Civ. 6900, 1993 WL 659682, at *4 (S.D.N.Y. Nov. 24, 1993) (recognizing likely confusion based on post-sale confusion theory).

symbol on another producer's blue jeans.²⁴⁷ The presence of additional labeling at the point of sale is irrelevant.²⁴⁸ Here, the consumer search cost theory would support a finding of confusion, likely under the rubric of a type of post-sale confusion. A consumer's search costs are higher after encountering post-sale confusion if the consumer attempts to find the same good that the consumer saw at an earlier time. A possibility also exists that consumers will associate the allegedly infringing mark with low quality goods.²⁴⁹ The question is whether trademark law should be concerned with this particular type of confusion or if it should only be concerned with confusion at the first point of sale. Consumer search cost theory would apparently make this type of confusion actionable, but how are the limits determined under the theory? And what about other interests—how are they to be taken into account?

In *General Motors Corp. v. Keystone Automotive Industries, Inc.*, the Sixth Circuit examined some of the possible harms that can arise from post-sale confusion involving knock-offs and the interests that should be balanced against those harms.²⁵⁰ The court stated that some of the recognized harms and interests involved in post-sale confusion included:

- (1) the viewing public, as well as subsequent purchasers, may be deceived if expertise is required to distinguish the original from the counterfeit;
- (2) the purchaser of an original may be harmed if the widespread existence of knockoffs decreases the original's value by making the previously scarce commonplace;
- (3) consumers desiring high quality products may be harmed if the original manufacturer decreases its investment in quality in order to compete more economically with

247. *Lois Sportswear, U.S.A., Inc. v. Levi Strauss & Co.*, 799 F.2d 867, 872-73 (2d Cir. 1986) ("In the instant case, this post-sale confusion would involve consumers seeing appellant's jeans outside of the retail store, perhaps being worn by a passer-by. The confusion the Act seeks to prevent in this context is that a consumer seeing the familiar stitching pattern will associate the jeans with appellee and that association will influence his buying decisions."); *Levi Strauss & Co. v. Blue Bell, Inc.*, 632 F.2d 817, 822 (9th Cir. 1980) ("Wrangler's use of its projecting label is likely to cause confusion among prospective purchasers who carry even an imperfect recollection of Strauss's mark and who observe Wrangler's projecting label after the point of sale. It is axiomatic in trademark law that 'side-by-side' comparison is not the test.").

248. *Blue Bell, Inc.*, 632 F.2d at 822 ("[B]illboards and other point of sale materials are removed by the purchaser and have no confusion-obviating effect when the pants are worn.").

249. See *Polo Fashions, Inc. v. Craftex, Inc.*, 816 F.2d 145, 148 (4th Cir. 1987) (noting that in the post-sale context, customers may be confused by a mark and the plaintiff's reputation may be harmed if the mark is used in connection with apparently poor quality products); *Nabisco Brands, Inc. v. Conusa Corp.*, 722 F. Supp. 1287, 1291-92 (M.D.N.C. 1989) (finding post-sale confusion likely because of the risk of association with poor quality products); *Rolex Watch U.S.A., Inc. v. Canner*, 645 F. Supp. 484, 495 (S.D. Fla. 1986) (recognizing that after a product enters commerce, there may be confusion after the point of sale, including a "cheapening" of the products sold in connection with the mark).

250. *Gen. Motors Corp. v. Keystone Auto. Indus., Inc.*, 453 F.3d 351, 358 (6th Cir. 2006).

less expensive knockoffs; (4) the original manufacturer's reputation for quality may be damaged if individuals mistake an inferior counterfeit for the original; (5) the original manufacturer's reputation for rarity may be harmed by the influx of knockoffs onto the market; and (6) the original manufacturer may be harmed if sales decline due to the public's fear that what they are purchasing may not be the original. On the other hand, courts should be wary of overprotecting public domain ideas and works whose exploitation can lead to economic efficiency, greater competition, and lower costs for consumers.²⁵¹

The court ultimately decided that the alleged infringer's use of the plaintiff's marks could damage the plaintiff's reputation for producing quality goods.²⁵² However, while the court mentioned the public interests, it failed to engage in an analysis of whether those interests should dictate if post-sale confusion was found to exist or not.²⁵³ Notably, the court failed to consider any other public interest besides those closely associated with the consumer search cost theory. The consumer search cost theory based on consumer perception justifies providing a remedy for most, if not all, of the harms discussed by the court and does not inherently limit the scope of trademark liability in post-sale confusion cases.²⁵⁴

b. Reverse confusion.—Reverse confusion is a theory of trademark infringement that recognizes a likelihood of confusion where a junior user saturates the market with advertising, resulting in consumers associating the senior user's mark with the junior user's mark.²⁵⁵ In those circumstances, there is a likelihood of confusion, and the consumer search cost theory would support a finding of infringement. Consumers may be confused at the point of sale in determining the first user of the mark.²⁵⁶ This form of confusion is perhaps not as controversial as post-sale, initial interest, or sponsorship and association confusion. However, in a case based on post-sale, initial interest, or sponsorship and association confusion, reverse confusion could be troubling because of the problems with those forms of confusion and the consumer search cost theory.

c. Initial interest confusion.—Another expansion of confusion outside the

251. *Id.* (internal citations omitted).

252. *Id.* at 358-59.

253. *Id.*

254. McKenna, *Trademark Use*, *supra* note 14, at 821.

255. *Big O Tire Dealers, Inc. v. Goodyear Tire & Rubber Co.*, 561 F.2d 1365, 1372 (10th Cir. 1977) (recognizing the reverse confusion theory); RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 20 cmt. f (1995) (“[I]n some cases the subsequent user’s promotion of the mark may so overwhelm the use by the prior user that most purchasers come to associate the mark with the subsequent user. This can result in reverse confusion—purchasers are likely to believe that the goods sold by the prior user are actually those of the subsequent user. Reverse confusion is actionable . . .”).

256. *See infra* notes 274-76. For an additional discussion of reverse confusion, see GRAEME B. DINWOODIE & MARK D. JANIS, *TRADEMARKS AND UNFAIR COMPETITION* 564-73 (2d ed. 2007).

point of sale is initial interest confusion.²⁵⁷ Initial interest confusion occurs when a particular party is confused not at the point of sale, but before the point of sale.²⁵⁸ The classic example involves a person driving on a freeway who sees a billboard sign stating that a McDonald's is at the next exit. When the person takes the exit, she discovers only a Burger King, without a McDonald's in sight. Having already exited (and desiring a hamburger), she goes ahead and eats at Burger King. Although the person is not confused that Burger King is McDonald's, she was initially confused, and this confusion resulted in her

257. See *supra* note 136 and accompanying text; see also *Brookfield Commc'ns v. W. Coast Entm't Corp.*, 174 F.3d 1036, 1063-65 (9th Cir. 1999) (listing cases discussing actionable initial interest confusion); *Mobil Oil Corp. v. Pegasus Petroleum Corp.*, 818 F.2d 254, 260 (2d Cir. 1987) ("[T]he district court's concerns focused upon the probability that potential purchasers would be misled into an initial interest in Pegasus Petroleum. Such initial confusion works a sufficient trademark injury."); *Adidas-Am., Inc. v. Payless Shoesource, Inc.*, 546 F. Supp. 2d 1029, 1058 (D. Or. 2008) (recognizing that initial interest and post-sale confusion are well-established theories in the Ninth Circuit). The doctrine of initial interest confusion was likely first raised in *Grotrian, Helfferich, Schulz, Th. Steinweg Nachf. v. Steinway & Sons*, 365 F. Supp. 707 (S.D.N.Y. 1973). The *Grotrian* court stated:

Misled into an initial interest, a potential Steinway buyer may satisfy himself that the less expensive Grotrian-Steinweg is at least as good, if not better, than a Steinway. Deception and confusion thus work to appropriate defendant's good will. This confusion, or mistaken beliefs as to the companies' interrelationships, can destroy the value of the trademark which is intended to point to only one company. Thus, the mere fact that purchasers may be sophisticated or discriminating is not sufficient to preclude the likelihood of confusion. "Being skilled in their own art does not necessarily preclude their mistaking one trademark for another when the marks are as similar as those here in issue, and cover merchandise in the same general field." Even a discriminating purchaser might well assume that the marks in issue were trademarks on companion products of a single producer.

Id. at 717 (internal citations omitted).

258. See *Dogan & Lemley, Search Costs*, *supra* note 65, at 814-15 ("Initial interest confusion' as originally conceived did not reflect a new doctrine; rather, it was a simple recognition that competition-distorting confusion can occur at times other than the point of sale. Moreover, in the pre-Internet cases relying on the theory, the defendant had branded its product with a mark confusingly similar to the plaintiff's and had no comparative advertising or other pro-informational justification for its choice of mark. Given the net harm to consumers, these cases justified judicial relief."); Greg Lastowka, *Google's Law*, 73 BROOK. L. REV. 1327, 1369-70 (2008) ("The doctrine of initial interest confusion shifts the focus of confusion analysis to at a time prior to the time of purchase. Initial interest confusion can be found to exist even if confusion was not present at the time of purchase."); see generally Ross D. Petty, *Initial Interest Confusion Versus Consumer Sovereignty: A Consumer Protection Perspective on Trademark Infringement*, 98 TRADEMARK REP. 757 (2008) (examining initial interest confusion and disclosure remedies for trademark infringement in the context of FTC consumer protection policy); Jennifer E. Rothman, *Initial Interest Confusion: Standing at the Crossroads of Trademark Law*, 27 CARDOZO L. REV. 105 (2005).

diversion to the Burger King.²⁵⁹

Recently, the Ninth Circuit applied this theory in the Internet context in *Brookfield Communications, Inc. v. West Coast Entertainment Corp.*²⁶⁰ In that case, the court found initial interest confusion created by the infringer's use of a mark in metatags.²⁶¹ Here, the consumer search cost theory arguably supported a finding of initial interest confusion. Finding liability reduces consumer confusion that otherwise might delay a consumer's ability to obtain the goods or services in which she was initially interested.²⁶² There is also a counterargument under which the consumer search cost theory may not support finding infringement in this context, which posits that permitting the use of metatags would facilitate providing consumers with additional information about various choices they can make.²⁶³ However, attempting to draw the line between a situation involving actionable confusion with an unlawful diversion of a consumer versus one involving permissible confusion that may ultimately lead to a satisfied consumer with more choices is difficult.²⁶⁴ That question also requires an intensely fact-based inquiry. The nature of that fact-based inquiry makes it difficult to resolve the dispute early in litigation.²⁶⁵ The consumer search cost theory does not provide an adequate basis on which to make determinations of liability because it rests on consumer perception, and any confusion may increase consumer search costs.²⁶⁶ It also fails to provide adequate limits to trademark liability. Thus, the theory tends to be overinclusive and leads to findings of infringement that are not necessary to protect consumers and may actually harm them.

259. See *Brookfield Commc'ns*, 174 F.3d at 1064 (discussing a similar example).

260. *Id.* at 1065; see also Rothman, *supra* note 258, at 107-08.

261. *Brookfield Commc'ns*, 174 F.3d at 1065.

262. See Paul L. Bonewitz, Note, *Beyond Confusion: Reexamining Trademark Law's Goals in the World of Online Advertising*, 81 ST. JOHN'S L. REV. 899, 919 (2007) ("Proscribing non-confusing trademark uses that interfere with consumers reaching their search objectives is only justified on a search cost rationale, however, if the consumer's search objective is to access the trademark owner.").

263. See Michael Grynberg, *The Road Not Taken: Initial Interest Confusion, Search Costs, and the Challenge of the Internet*, 28 SEATTLE U. L. REV. 97, 99 (2004) ("[P]ermitting initial interest confusion may also harm consumers. The class of initially confused consumers includes those who are specifically seeking a particular brand to the exclusion of others. They must expend extra effort to determine which product is which, and to find their preferred choice. For these consumers, initial interest confusion impedes the trademark's function of reducing consumer search costs. This perspective suggests that a balancing is possible: Courts should police initial interest confusion only when it produces greater harms than benefits." (emphasis in original)).

264. See Eric Goldman, *Deregulating Relevancy in Internet Trademark Law*, 54 EMORY L.J. 507, 566 (2005).

265. Cf. Dogan & Lemley, *Search Costs*, *supra* note 65, at 805 ("The trademark use requirement serves a gatekeeper function, limiting the reach of trademark law without regard to factual inquiry into consumer confusion.").

266. McKenna, *Trademark Use*, *supra* note 14, at 821.

An example of a trademark owner asserting overbroad trademark rights with the initial interest confusion theory is *Gibson Guitar Corp. v. Paul Reed Smith Guitars, LP*.²⁶⁷ In that case, the court found that the initial interest confusion doctrine did not apply to plaintiff Gibson's trademark that essentially consisted of a guitar shape.²⁶⁸ The court rejected Gibson's initial interest confusion argument—apparently accepted by the district court—that consumers viewing the defendant's guitars from a distance would believe they were Gibson's guitars.²⁶⁹ The court reasoned, in part, that competition-related concerns outweighed the need to protect Gibson's trademark from potential initial interest confusion:

Many, if not most, consumer products will tend to appear like their competitors at a sufficient distance. Where product shapes themselves are trademarked, such a theory would prevent competitors from producing even *dissimilar* products which might appear, from the far end of an aisle in a warehouse store, somewhat similar to a trademarked shape.²⁷⁰

In that case, the Sixth Circuit properly recognized the potential problems with an expansive view of the initial interest confusion doctrine.

Some courts appear to base their finding of initial interest confusion on a misappropriation of goodwill argument, apparently relying on diversion of consumers.²⁷¹ Courts may be attracted to that rationale because the confusion is ultimately dispelled even though consumers may acquire additional information.²⁷² Notably, some courts have declined to adopt the initial interest

267. 423 F.3d 539 (6th Cir. 2005).

268. *Id.* at 553.

269. *Id.* at 550 n.15, 551-52.

270. *Id.* at 552 (emphasis in original) (internal citation omitted). The court also noted that recognizing initial interest confusion under similar facts would make it very difficult to dispose of cases through summary judgment. *Id.* at 550 n.15 ("If our belief that *nearly all* product-shape trademark-holders will be able to show an issue of fact as to whether a competing product creates initial-interest confusion is correct, application of the initial-interest-confusion doctrine in the product-shape context would make it substantially easier for product-shape trademark-holders to survive a defendant's summary-judgment motion than for plaintiffs alleging any other type of trademark infringement." (emphasis in original)).

271. See *supra* note 136 and accompanying text.

272. In discussing the trademark "use" requirement for infringement in the context of the purchase of keywords for search engines, some courts have noted that the way some search results are displayed may enhance consumer choice. Cf. *Designer Skin, LLC v. S & L Vitamins, Inc.*, 560 F. Supp. 2d 811, 820 (D. Ariz. 2008) ("In this Court's view, there is a meaningful distinction between (1) using a mark to attract potential customers to a website that only offers products of the mark holder's competitors and (2) using a mark to attract potential customers to a website that offers the mark holder's genuine products as well as the products of competitors. As discussed above, in the latter situation no 'bait and switch' occurs."); see also *Dogan & Lemley, Search Costs*, *supra* note 65, at 815 ("[In] the online context, in which switching costs are minimal,

confusion theory.²⁷³

d. Sponsorship and association confusion.—The final expansion in confusion theories is sponsorship and association confusion.²⁷⁴ In sponsorship

confusion is frequently speculative, and many defendants have persuasive arguments that their uses bring benefits to consumers.” (internal citation omitted)). Moreover, searching on the Internet may not involve the same level of costs as a search in the brick and mortar world. *See* Margreth Barrett, *Domain Names, Trademarks and the First Amendment: Searching for Meaningful Boundaries*, 39 CONN. L. REV. 973, 1014 (2007).

273. *See, e.g.,* *Lamparello v. Falwell*, 420 F.3d 309, 316 (4th Cir. 2005) (“[W]e have never adopted the initial interest confusion theory; rather, we have followed a very different mode of analysis, requiring courts to determine whether a likelihood of confusion exists by ‘examin[ing] the allegedly infringing use in the context in which it is seen by the ordinary consumer.’” (emphasis in original) (citation omitted)). In *Lamparello*, the Fourth Circuit stated that the initial interest confusion doctrine is limited in other circuits to cases where “one business’s use of another’s mark for its own financial gain.” *Id.* at 317. At least one court has rejected the Fourth Circuit’s attempt to constrict the initial interest confusion theory in that way. *See* SMJ Grp., Inc. v. 417 Lafayette Rest. LLC, 439 F. Supp. 2d 281, 290 (S.D.N.Y. 2006) (“Despite defendants’ lack of profit motivation, or the lack of competition between the parties, an individual who is handed one of defendants’ pamphlets is, at least initially, confused about the source of the pamphlet.”).

274. Courts first recognized trademark infringement actions between direct competitors. *See* Lemley & McKenna, *supra* note 99, at 422. However, courts began to find trademark infringement (or unfair competition) between parties who may not directly compete, but compete in related fields—such that a consumer may expect that the trademark owner may expand into the other field. *See, e.g.,* *Yale Elec. Corp. v. Robertson*, 26 F.2d 972, 974 (2d Cir. 1928); *Aunt Jemima Mills Co. v. Rigney & Co.*, 247 F. 407, 409-10 (2d Cir. 1917). Prior to Congress’s 1962 amendment to the Lanham Act, the infringement provision instructed courts to consider whether a purported infringement “is likely to cause confusion, or to cause mistake, or to deceive” purchasers as to the source of origin of such goods or services.” Pub. L. No. 87-772, 76 Stat. 769. The 1963 amendment struck the language “purchasers as to the source of origin of such goods or services,” which some courts interpreted as removing any requirement that confusion is limited to purchasers or to any kind of confusion. *See, e.g.,* *Syntex Labs., Inc. v. Norwich Pharmacal Co.*, 437 F.2d 566, 568 (2d Cir. 1971). Moreover, the 1946 version of 15 U.S.C. § 1125(a) provided:

Any person who shall affix, apply, or annex, or use in connection with any goods or services, or any container or containers for goods, a false designation of origin, or any false description or representation, including words or other symbols tending falsely to describe or represent the same, and shall cause such goods or services to enter into commerce, and any person who shall with knowledge of the falsity of such designation of origin or description or representation cause or procure the same to be transported or used in commerce or deliver the same to any carrier to be transported or used, shall be liable to a civil action by any person doing business in the locality falsely indicated as that of origin or in the region in which said locality is situated, or by any person who believes that he is or is likely to be damaged by the use of any such false description or representation.

15 U.S.C. § 1125(a) (1946).

Congress’s 1988 amendments to the Lanham Act changed § 1125(a) to state:

and association confusion cases, courts are not focused on confusion as to the source of the goods and services. Rather, they are concerned that confusion might exist amongst consumers as to whether there is some relationship between the mark holder and the alleged infringer (i.e., that the mark owner has perhaps allowed the alleged infringer to use the mark).²⁷⁵ The consumer search cost theory supports finding an infringement in these circumstances. If a consumer mistakenly believes that the alleged infringer and mark holder are associated, there is some likelihood of confusion as to sponsorship or approval. This confusion may impact the consumer's perception of the mark owner or his decision to purchase from the mark owner in the future.²⁷⁶

Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which . . . is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person . . . shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

Pub. L. No. 100-667, 102 Stat. 3935 (codified at 15 U.S.C. § 1125(a) (1988)). The amendments specifically changed § 1125(a) to include confusion as to sponsorship or approval of goods or services, thus adopting the cases which extended liability to sponsorship and approval confusion.

275. See, e.g., *Mut. of Omaha Ins. Co. v. Novak*, 836 F.2d 397, 403 (8th Cir. 1987) (upholding a preliminary injunction against the defendant's use of "Mutant of Omaha" based on the district court's finding of a likelihood of confusion as to Mutual of Omaha's sponsorship or affiliation with the defendant); see also Lemley & McKenna, *supra* note 99, at 416-22 (discussing examples of the expansion of actionable confusion in sponsorship and association cases); Malla Pollack, *Types of Trademark Infringement*, 160 INTELL. PROP. COUNSELOR 1 (2010) (discussing endorsement and association confusion cases).

276. This form of actionable confusion has recently been criticized by Professors Lemley and McKenna. See Lemley & McKenna, *supra* note 99, at 413-16 (positing that some courts have overreached with actionable sponsorship and affiliation confusion and that actionable confusion should be limited to confusion relevant to purchasing decisions). Professors Lemley and McKenna argue that

[t]he actionable confusion . . . [in some sponsorship and affiliation cases] was not confusion that would have led consumers to buy the wrong product, or even to wrongly think they were buying from the trademark owner. Rather, the theory in all of these cases was that consumers would think there was some relationship between the trademark owner and the defendant based on the defendant's use of the trademark. The problem with this formulation is that it fails to specify the types of relationships about which confusion is relevant or the harm that supposedly flows from confusion about those relationships. It is therefore impossible to establish meaningful limits on what sorts of confusion are actionable.

Id. at 421-22. For a discussion of the marketing literature concerning brand extension, see generally Lemley & McKenna, *supra* note 99; McKenna, *Theory of Harm*, *supra* note 58. Notably,

4. *Trademark Use*.—One debate confronting courts throughout the world concerns the role of trademark use in limiting what may constitute infringement or dilution.²⁷⁷ Scholars have intensely debated the question of whether use is and should be a limiting doctrine. One scholar has argued that trademark use is a historical requirement of trademark infringement; others argue that trademark use should be a requirement for infringement because keyword advertising increases the amount of information available to consumers, thereby decreasing search costs and providing a useful tool to limit trademark actions early.²⁷⁸ Other scholars vigorously argue that trademark use should not be used as a limiting doctrine because the concept of “use” in trademark law is anything but clear, and there could be consumer deception in cases involving keywords and Internet searching.²⁷⁹

The consumer search cost theory also operates to provide a justification for

the literature concerning brand extension generally appears not to support a theory of sponsorship or association confusion in unrelated markets. *See generally* Lemley & McKenna, *supra* note 99.

277. *See generally* Barrett, *Digital Technologies*, *supra* note 12; Margreth Barrett, *Finding Trademark Use: The Historical Foundation for Limiting Infringement Liability to the Uses “In the Manner of a Mark,”* 43 WAKE FOREST L. REV. 893 (2008) [hereinafter Barrett, *Finding Trademark Use*]; Margreth Barrett, *Internet Trademark Suits and the Demise of “Trademark Use,”* 39 U.C. DAVIS L. REV. 371 (2006); Stacey L. Dogan & Mark A. Lemley, *Grounding Trademark Law Through Trademark Use*, 92 IOWA L. REV. 1669 (2007); Dogan & Lemley, *Search Costs*, *supra* note 65, at 805 (“The trademark use requirement serves a gatekeeper function The rationale for the doctrine stems from the practical reality that it would be both unwise and impossible to permit trademark owners to control every use of their marks.”); Stacey L. Dogan & Mark A. Lemley, *The Trademark Use Requirement in Dilution Cases*, 24 SANTA CLARA COMPUTER & HIGH TECH. L.J. 541 (2008); Goldman, *supra* note 264. *But see* William G. Barber, *Dumping the “Designation of Source” Requirement from the TDRA: A Response to the Alleged “Trademark Use Requirement in Dilution Cases,”* 24 SANTA CLARA COMPUTER & HIGH TECH. L.J. 559 (2008) (arguing that the TDRA does not expressly include a use requirement and was not intended to include a use requirement); Dinwoodie & Janis, *Contextualism*, *supra* note 151, at 1641-42 (disagreeing with the opinion that the trademark use requirement would provide certainty); Graeme B. Dinwoodie & Mark D. Janis, *Lessons from the Trademark Use Debate*, 92 IOWA L. REV. 1703 (2007) [hereinafter Dinwoodie & Janis, *Trademark Use Debate*]; McKenna, *Trademark Use*, *supra* note 14, at 773 (“[C]ourts can determine whether a defendant has made trademark use of a plaintiff’s mark only by asking whether consumers are likely to view the defendant’s use as one that indicates the source of the defendant’s products or services. Because such an inquiry is, by its nature, highly context-sensitive, trademark use is not a concept capable of serving the limited function advocates hope.”).

278. *See* Barrett, *Digital Technologies*, *supra* note 12, at 8-10; Barrett, *Finding Trademark Use*, *supra* note 277, at 893-95; Dogan & Lemley, *Search Costs*, *supra* note 65, at 811 (“The trademark use doctrine strikes that balance in favor of permitting uses that are generally cost-reducing because they provide relevant, nonconfusing information to consumers, even if on occasion they may be cost-enhancing.” (internal citations omitted)).

279. *See* Dinwoodie & Janis, *Contextualism*, *supra* note 151, at 1641-42; Dinwoodie & Janis, *Trademark Use Debate*, *supra* note 277, at 1704-05.

a “trademark use” requirement. Some courts have relied upon the trademark use doctrine to dispose of Internet keyword suits, finding that purchasing keywords from search engines is not a trademark use and thus removing the opportunity to pursue infringement based solely on the purchase of trademarks as keywords. The Second Circuit addressed the role of trademark use as a prerequisite to an infringement action in the context of search engines selling keywords that correspond to trademarks.²⁸⁰ In that case, the court did not find trademark use as a barrier to an infringement claim based on the sale of keywords.²⁸¹ This interpretation may reduce consumer search costs where consumers are looking for a specific trademarked good or service, but it may take away the ability of consumers to have additional choices presented to them—ultimately increasing the costs of an ongoing search for anything other than a specific trademarked good or service. However, judging whether a consumer is still generally searching for a good or has made up her mind about the particular good she wants is very difficult.²⁸² Thus, the consumer search cost theory provides little aid in defining limits to trademark law, at least in the context of purchasing keywords from search engines.²⁸³

5. *The Dawn Donut Rule*.—Limiting doctrines such as the *Dawn Donut* rule (prohibiting relief against an alleged infringer in a distinct geographic market where no confusion is likely) have been eroded by courts in cases involving goods.²⁸⁴ The erosion of the *Dawn Donut* rule harms the ability of new entrants to establish themselves in markets when a competitor is operating in a remote market and has an Internet presence. Thus, allowing trademark holders to obtain injunctive relief prior to moving into a particular geographic market may allow

280. *Rescuecom Corp. v. Google Inc.*, 562 F.3d 123 (2d Cir. 2009).

281. *Id.* at 131. The Ninth Circuit is following the Second Circuit’s decision. *See Network Automation, Inc. v. Advanced Sys. Concepts, Inc.*, No. 10-55840, 2011 WL 815806, at *4 (9th Cir. Mar. 8, 2011) (“We now agree with the Second Circuit that such use is a ‘use in commerce’ under the Lanham Act.”).

282. *See* Goldman, *supra* note 264, at 566 (“Searchers’ objectives cannot be inferred from the keywords they employ. . . . [I]t is improper to assume that using a trademarked keyword means that the searcher wanted to find the trademark owner. Because of objective opaqueness, any IIC doctrine built on diversion is inherently flawed. Finding searcher ‘diversion’ is not possible until one knows where searchers were heading in the first place.”).

283. Professors Dinwoodie and Janis argue against a trademark use requirement for infringement for several reasons, including the possibility of consumer deception in the use of trademarks in the search engine context. Dinwoodie & Janis, *Contextualism*, *supra* note 151, at 1626-28. Thus, there could be some search costs because of potential deception in the myriad of ways search results may be displayed presently and in the future. Professor Eric Goldman argues that there appears to be no basis to treat positive externalities provided by a trademark in the form of increased profits to third parties differently in the online and offline contexts. *See* Eric Goldman, *Brand Spillovers*, 22 HARV. J. L. & TECH. 381, 383-84 (2009). He “proposes to harmonize the legal treatment applicable to all intermediaries to encourage intermediaries to reduce consumer search costs, even if they profit from brand spillovers in doing so.” *Id.* at 384.

284. *See* Cumbow, *supra* note 64.

a competitor to protect its mark without adequately demonstrating success through sales under the mark in that market.²⁸⁵ Because of the mobility of consumers, the consumer search cost theory dismantles the *Dawn Donut* rule on the premise that consumers will travel from one part of the country to another and may be confused by similar marks on similar goods or services in geographically remote markets.²⁸⁶

6. *Overtaking the Public Domain.*—A potential area for additional trademark expansion is where trademark protection can extend to symbols or devices that are ordinarily protected by copyright and patent law and are now in the public domain.²⁸⁷ Trademark protection may subsist in a symbol or device as long as the mark is used in commerce. Thus, marks such as Mickey Mouse (and the character) may receive trademark protection beyond the copyright term, and the consumer search cost theory—in attempting to eliminate consumer confusion—would support that trademark protection.²⁸⁸ Here again, the search cost theory alone would fail to provide a meaningful limit to trademark rights, and other values and interests should be considered.

III. PROPOSALS FOR REFORM

The first proposal for reform considers both preliminary and permanent injunctive relief in trademark matters. The second proposal argues that policing efforts of mark holders should not be allowed as evidence to demonstrate whether a mark should receive protection or as evidence of the scope of that protection.

A. *The Public Interest, Values, and Injunctive Relief*

This section will discuss the interests of the various parties in the context of injunctive relief. Preliminary injunctions are discussed first, and permanent injunctions are reviewed second.²⁸⁹

285. See Carter, *supra* note 61, at 796 (arguing that the *Dawn Donut* rule limiting injunctions should be preserved to limit expanding trademark rights). But see David S. Welkowitz, *The Problem of Concurrent Use of Trademarks: An Old/New Proposal*, 28 U. RICH. L. REV. 315, 342-44, 384 (1994) (arguing that the *Dawn Donut* rule should be overturned to provide full effect to the Lanham Act's constructive notice provision).

286. For additional discussions of the *Dawn Donut* rule, see generally Thomas L. Casagrande, "The Dawn Donut Rule": *Still Standing (Article III, That Is) Even with the Rise of the Internet*, 90 TRADEMARK REP. 723 (2000) and Jessica Amber Drew, *Death of Dawn Donut: The Demise of Concurrent Trademarks*, 2007 U. ILL. J.L. TECH. & POL'Y 145.

287. See Moffat, *supra* note 133, at 1474.

288. Courts in several cases have effectively policed the boundary between trademarks and copyright and patent law. See, e.g., *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23 (2003); *TrafFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23 (2001); *Fleischer Studios, Inc. v. A.V.E.L.A., Inc.*, No. 09-56317, 2011 WL 631449 (9th Cir. Feb. 23, 2011).

289. Section 1116(a) of 15 U.S.C., in pertinent part, provides:

The several courts vested with jurisdiction of civil actions arising under this chapter

1. *Preliminary Injunctions*.²⁹⁰—The first proposal for reform is to reinvigorate the public interest prong of the injunctive relief analysis by expressly requiring district courts to balance the various interests of the public—including users, consumers, and competitors—with the interests of the trademark holder in analyzing whether a preliminary injunction should issue. This requirement will make district court judges specifically take into account other interests besides consumer confusion and the protection of the goodwill of the trademark holder. This determination would also occur early enough to deny relief to trademark owners in certain circumstances—for example, allowing expression to continue during litigation. As more reported cases deny preliminary and permanent injunctions, trademark owners will have an incentive to settle early and not raise overreaching claims in the first place, eliminating some of the chilling effects provided by current trademark law and practice.²⁹¹ Although this proposal may not completely solve the inherent problems of trademark law, it moves us towards recognizing values and interests in trademark law and reconciling the interests at stake.

The Lanham Act specifically provides district courts discretion to issue injunctions where equity allows it.²⁹² Appellate courts have established various tests for determining whether a preliminary injunction should issue. Generally,

shall have power to grant injunctions, according to the principles of equity and upon such terms as the court may deem reasonable, to prevent the violation of any right of the registrant of a mark registered in the Patent and Trademark Office or to prevent a violation under subsection (a), (c), or (d) of section 1125 of this title.

15 U.S.C. § 1116(a) (2006).

290. The importance of preliminary injunctions in trademark cases cannot be understated. Professor McCarthy recently noted that

[a] preliminary injunction is one of the most powerful weapons in the arsenal of a trademark owner. Getting a preliminary injunction means that the trademark owner can force the alleged infringer to immediately stop all use of the challenged mark and undergo an expensive change to a significantly different mark. That change will last for the months or years that will ensue until all the issues can be hashed out in a full-fledged trial on the merits. In some situations, getting a preliminary injunction means that the trademark owner will immediately receive just about all the relief it would be entitled to even after a win on the merits at trial.

J. Thomas McCarthy, *Are Preliminary Injunctions Against Trademark Infringement Getting Harder to Achieve?*, 14 INTELL. PROP. L. BULL. 1, 1 (2009).

291. See Ramsey, *supra* note 38, at 384-85 (“Protected expression is frequently suppressed or chilled by trademark law because the law’s current built-in First Amendment safeguards, such as the descriptive fair use doctrine, are limited and involve fact-specific determinations that often can only be resolved after discovery at summary judgment or trial—a cost many defendants cannot afford.”); see also McGeveran, *Free Speech*, *supra* note 26, at 1206-07 (“Considerable anecdotal evidence suggests that the real action occurs outside the courthouse: markholders send cease-and-desist letters and threaten legal action against those using trademarks to facilitate speech, and the recipients frequently capitulate.”).

292. 15 U.S.C. § 1116.

the test will include four factors: (1) the likelihood of success on the merits; (2) the presence or absence of irreparable harm; (3) the balance of the hardships between plaintiff and defendant; and (4) the public interest. In trademark cases, courts have often presumed irreparable harm in cases where a likelihood of success on the merits has been demonstrated.²⁹³ The justifications for presuming irreparable harm are that it is particularly difficult to ascertain damages in trademark cases and that the trademark owner has lost control over its goodwill.²⁹⁴ Moreover, some courts are not even considering the public interest in determining whether a preliminary injunction should issue in trademark cases.²⁹⁵ In a 2009 decision, *Zino Davidoff SA v. CVS Corp.*, the Second Circuit

293. *Genesee Brewing Co. v. Stroh Brewing Co.*, 124 F.3d 137, 142 (2d Cir. 1997) (“In the context of trademark and unfair competition injunctions, the requirement of irreparable harm carries no independent weight, as we have held that a showing of likelihood of confusion (a requirement of both trademark infringement and unfair competition claims) establishes irreparable harm.”). However, the Eleventh and Fifth Circuits have questioned whether the presumption of irreparable harm applies post-*eBay* and may require proof of irreparable harm. See *Paulsson Geophysical Servs., Inc. v. Sigmar*, 529 F.3d 303, 312-313 (5th Cir. 2008) (discussing *eBay*); *N. Am. Med. Corp. v. Axiom Worldwide, Inc.*, 522 F.3d 1211, 1227-28 (11th Cir. 2008) (discussing *eBay*). Moreover, additional cracks in the presumption supporting irreparable harm are becoming visible after the U.S. Supreme Court’s decision in *Winter v. NRDC*. See *Mortg. Elec. Registration Sys., Inc. v. Brosnan*, No. C 09-3600 SBA, 2009 WL 3647125, at *8 (N.D. Cal. Sept. 4, 2009) (noting that the U.S. Supreme Court in *Winter* has effectively eliminated the presumption of irreparable harm based on a showing of probable success on the merits); *Cytosport, Inc. v. Vital Pharm., Inc.*, 617 F. Supp. 2d 1051, 1081 (E.D. Cal. 2009) (same), *aff’d*, 348 F. App’x 288 (9th Cir. 2009); *Volkswagen AG v. Verdier Microbus & Camper, Inc.*, No. C 09-00231 JSW, 2009 WL 928130, at *8 (N.D. Cal. Apr. 3, 2009) (same). Those courts are still finding irreparable harm based upon a showing of goodwill, the difficulty of determining damages, and the lack of control over the reputation of the mark by the mark owner. *Brosnan*, 2009 WL 3647125, at *8; *Cytosport*, 617 F. Supp. 2d at 1081; *Volkswagen AG*, 2009 WL 928130, at *8. At least one court has applied the presumption despite the *Winter* case. See *Moroccan Oil, Inc. v. Moroccan Gold, Inc.*, 590 F. Supp. 2d 1271 (C.D. Cal. 2008). One author has argued that given the uncertainty in cases concerning the status of the presumption of irreparable harm post-*Winter*, mark owners should be prepared to demonstrate irreparable harm. See Thomas M. Williams, *Winter v. NRDC: A Stricter Standard of Irreparable Harm in Trademark Cases?*, 91 J. PAT. & TRADEMARK OFF. SOC’Y 571, 579 (2009).

294. *Helene Curtis Indus., Inc. v. Church & Dwight Co.*, 560 F.2d 1325, 1332-33 (7th Cir. 1977) (“Where there is . . . such high probability of confusion, injury irreparable in the sense that it may not be fully compensable in damages almost inevitably follows. While an injured plaintiff would be entitled to recover the profits on the infringing items, this is often difficult to determine; moreover, a defendant may have failed to earn profits because of the poor quality of its product or its own inefficiency. Indeed, confusion may cause purchasers to refrain from buying either product and to turn to those of either competitors.” (quoting *Omega Importing Corp. v. Petri-Kine Camera Co.*, 451 F.2d 1190, 1195 (2d Cir. 1971))).

295. See *Zino Davidoff SA v. CVS Corp.*, 571 F.3d 238, 242 (2d Cir. 2009); *Arrow United Indus., Inc. v. Hugh Richards, Inc.*, 678 F.2d 410, 413-14 (2d Cir. 1982). In *GoTo.com, Inc. v. Walt Disney Co.*, 202 F.3d 1199 (9th Cir. 2000), the Ninth Circuit did not apply the public interest

analyzed whether to grant a preliminary injunction in a trademark infringement matter without explicitly noting that the public interest was a factor to consider.²⁹⁶ However, even if a court does not expressly consider the public interest as a factor, it may do so implicitly. For example, in *Helene Curtis Industries, Inc. v. Church & Dwight Co.*, the court noted the “probable right of both plaintiff and the public under the law to relief against continuation of . . . [defendant’s] misleading, confusing and deceptive acts.”²⁹⁷ Thus, the court collapsed the rights of the public with those of the trademark holder, but it failed to analyze the public interest as a separate and distinct factor and discuss that interest in any depth.²⁹⁸

After the Supreme Court’s decision in *Winter v. Natural Resources Defense Council, Inc.*,²⁹⁹ courts should not engage in a similar analysis. *Winter* appears to require consideration of the traditional four factors for a preliminary injunction to issue in every case and demonstrate generally that a court’s presumption of irreparable harm may be disfavored.³⁰⁰ Indeed, in *Winter*, the Supreme Court

factor. A district court in the Ninth Circuit recently applied the public interest prong of the test, but only in the context of discussing documents that were inadvertently sent to another party—there was no discussion of the independent importance of the public interest in the trademark context. See *Brosnan*, 2009 WL 3647125, at *8. Professor McCarthy notes that at least before *Winter*, the Second and Ninth Circuits apparently do not explicitly consider the public interest, although other circuits appear to do so. See 5 MCCARTHY, *supra* note 173, at § 30:32. In *New York City Triathlon, LLC v. NYC Triathlon Club, Inc.*, 704 F. Supp. 2d 305 (S.D.N.Y. 2010), the court noted that *Winter* requires a consideration of the public interest, but the Second Circuit does not under *Zino Davidoff*. *Id.* at 313. However, the court did not choose between either standard; it avoided the question and held that both standards were met. *Id.* The court did not expressly apply the public interest factor required by *Winter*. *Id.*

296. *Zino Davidoff SA*, 571 F.3d at 242 (“In cases involving claims of trademark infringement and dilution, as in other types of cases, a party seeking a preliminary injunction must demonstrate (1) the likelihood of irreparable injury in the absence of such a injunction, and (2) either (a) likelihood of success on the merits or (b) sufficiently serious questions going to the merits to make them a fair ground for litigation plus a balance of hardships tipping decidedly toward the party requesting the preliminary relief.” (quoting *Fed. Express Corp. v. Fed. Espresso, Inc.*, 201 F.3d 168, 173 (2d Cir. 2000)). Other recent trademark cases in the Second Circuit have failed to raise the public interest prong. See, e.g., *Cold Stone Creamery, Inc. v. Gorman*, 361 F. App’x 282, 287 (2d Cir. 2010); *N.Y. State Elec. & Gas Corp. v. U.S. Gas & Elec., Inc.*, 697 F. Supp. 2d 415, 425 (W.D.N.Y. 2010).

297. *Helene Curtis Indus., Inc.*, 560 F.2d at 1330.

298. See *id.*

299. 129 S. Ct. 365, 375 (2008) (rejecting the Ninth Circuit’s “possibility of irreparable harm” standard and stating that there must be a likelihood of irreparable harm).

300. In a recent article, some commentators assessed the impact of *eBay* on the presumption of irreparable harm in trademark infringement cases:

[We conclude] that *eBay* should not be used to eviscerate the normal presumption of irreparable harm that attaches upon a showing of liability in trademark cases. Although trademark, patent and copyright laws are all forms of rights in intangible property, the

specifically cautioned courts to consider the public interest carefully before issuing a preliminary injunction.³⁰¹ The plaintiff in *Winter* sought to preliminarily enjoin the Navy from conducting sonar training that purportedly harmed marine wildlife.³⁰² The Ninth Circuit affirmed the district court's issuance of a preliminary injunction and held that once a "strong" likelihood of success is proved, a plaintiff only needs to demonstrate a possibility of irreparable harm—not likely irreparable harm—to obtain preliminary injunctive relief.³⁰³ The Supreme Court reversed the Ninth Circuit, stating that the "possibility" standard for proving irreparable harm was too lenient and that even if the plaintiffs were successful in showing irreparable harm, any irreparable harm was outweighed by the public interest in national security.³⁰⁴ The Supreme Court stated:

A preliminary injunction is an extraordinary remedy never awarded as of right. In each case, courts must balance the competing claims of injury and must consider the effect on each party of the granting or

rationales underlying trademark protection are sufficiently distinct from those motivating patent and copyright protections that principles applicable in one type of intellectual property law are not necessarily appropriate in another. Patent and copyright protections are designed to be a trade-off between incentivizing innovation and creativity on one hand, and public access to the fruits of such labor on the other. Trademark law does not entail such a direct balance between individual gain and the public interest; rather, it is a form of consumer and competitor protection that is designed to efficiently indicate the source of a product or service and to avoid confusion. Because maximization of the public interest in trademark protection rests upon a very different protection rationale than that underlying patent and copyright laws, courts should not hastily import the Supreme Court precedent addressing a markedly different set of public interest concerns into the trademark realm.

David H. Bernstein & Andrew Gilden, *No Trolls Barred: Trademark Injunctions After eBay*, 99 TRADEMARK REP. 1037, 1038-39 (2009). Professor McCarthy has similarly opined that the presumption of irreparable harm for trademark cases should not be upset by *eBay*. See McCarthy, *supra* note 290, at 3-4. For a contrary viewpoint, see Sandra L. Rierson, *IP Remedies After eBay: Assessing the Impact on Trademark Law*, 2 AKRON INTELL. PROP. J. 163, 166 (2008). For additional commentary, see Jonathan Hudis et al., *Why Trademark and Copyright Counsel Should Heed the Patent Precedent of the Supreme Court*, 2 LANDSLIDE 14 (2009).

301. *Winter*, 129 S. Ct. at 376. The Court opined, "In exercising their sound discretion, courts of equity should pay particular regard for the public consequences in employing the extraordinary remedy of injunction." *Id.* at 376-77 (quoting *Weinberger v. Romero-Barcelo*, 456 U.S. 305, 312 (1982)). At least one court has held that in the context of trademark cases, the presumption of irreparable harm may not be available for trademark cases post-*Winter*. See *Mortg. Elec. Registration Sys., Inc. v. Brosnan*, No. C 09-3600 SBA, 2009 WL 3647125, at *8 (N.D. Cal. Sept. 4, 2009).

302. *Winter*, 129 S. Ct. at 372-74.

303. *Id.* at 375.

304. *Id.* at 375-77.

withholding of the requested relief. In exercising their sound discretion, courts of equity should pay particular regard for the public consequences in employing the extraordinary remedy of injunction.³⁰⁵

Thus, the Supreme Court requires a consideration of the public interest by the district court before granting a preliminary injunction.

However, even courts analyzing the public interest have frequently defaulted to granting injunctive relief because of the possibility of consumer deception and fail to analyze other potential harms to the public interest.³⁰⁶ Courts may continue to engage in that practice even after *Winter*. Indeed, more than one court, while citing *Winter* and reciting the four factors for preliminary relief, failed to apply the public interest factor.³⁰⁷ Courts should follow *Winter* and consider the public interest in granting preliminary injunctions.³⁰⁸ Courts should also expressly consider each potential public interest in trademark cases.

In considering whether a preliminary injunction should issue, the public interest factors, including those favoring trademark owners and the public generally (including users, consumers, and competitors), should be expressly weighed by the court where applicable. The court should not rely on the “built-in” public interest protections in trademark law such as the protection of free expression. For example, free expression can be protected by doctrines such as the likelihood of confusion test, fair use defenses, or a First Amendment defense, but those doctrines may not adequately protect the interest in free expression.³⁰⁹

305. *Id.* at 376-77 (internal citations and quotations omitted).

306. *GSC Logistics, Inc. v. Star Galaxy Logistics, Inc.*, No. C 09-5886 SBA, 2010 WL 690200, at *4 (N.D. Cal. Feb. 24, 2010) (“The harm to Plaintiff and the public resulting from Defendants’ continued use of the Plaintiff’s name is evident from the fact Defendant’s services have been used by customers believing that they, in fact, were dealing with Plaintiff.”); *Nike, Inc. v. Nikepal Int’l, Inc.*, No. 2:05-cv-1468-GEB-JFM, 2007 WL 2782030, at *8 (E.D. Cal. Sept. 18, 2007) (discussing the public interest factor in granting permanent injunctions and stating that the public interest is served by allowing the mark to continue to serve a source identification function).

307. *Edom Labs., Inc. v. Special Tea Plus, Inc.*, No. CV-09-5185, 2010 WL 596342, at *1-2 (E.D.N.Y. Feb. 16, 2010). In *Fendi Adele S.R.L. v. Ashley Reed Trading, Inc.*, No. 06 Civ. 243, 2010 WL 571804 (S.D.N.Y. Feb. 16, 2010), the court did not discuss the public interest factor in deciding to grant a permanent injunction. *Id.* at *5. In *New York City Triathlon, LLC v. NYC Triathlon Club, Inc.*, 704 F. Supp. 2d 305 (S.D.N.Y. 2010), the court noted the public interest factor under *Winter* but apparently failed to explicitly apply the factor.

308. In *Network Automation Inc. v. Advanced Systems Concepts, Inc.*, No. 10-55840, 2011 WL 815806, at *3 (9th Cir. Mar. 8, 2011), the Ninth Circuit cited the *Winter* four-part test for issuing a preliminary injunction in a trademark case. *Id.*

309. See Rebecca Tushnet, *Trademark Law as Commercial Speech Regulation*, 58 S.C. L. REV. 737, 743-44 (2007) (noting that many doctrines in trademark law except for nominative fair use “exist to balance consumer protection with free competition rather than to implement First Amendment norms”); see also *Facenda v. N.F.L. Films, Inc.*, 542 F.3d 1007, 1015-18 (3d Cir. 2008) (considering First Amendment defense); *Lamparello v. Falwell*, 420 F.3d 309, 313-15 (4th Cir. 2005) (discussing defenses to dilution actions and likelihood of confusion test that protect free

The primary concern, particularly with free expression, is that this expression will be chilled prior to the litigation. The prospect of a denial of a preliminary injunction may dissuade some trademark owners from moving beyond a cease and desist letter. Furthermore, this prospect may dissuade mark owners from sending such letters in the first place, particularly after there are reported decisions denying injunctive relief.

The public's interests, as discussed previously, can be unpacked to include consumer interests, user interests, and competitor interests. The first interest is the consumer's interest in preventing confusion and deception in the marketplace, thus enabling trademarks to foster the market economy.³¹⁰ The second interest is the user's interest in free expression and in the right of others to listen to that free expression. The third interest is the consumer's interest in access to comparative advertising information and the competitor's right to use a mark to fairly describe its goods and services and in comparative advertising. The fourth interest is the user's interest in protecting cultural heritage. Moreover, the court can also consider the interests of the mark owner, such as the investment in goodwill in the mark, business development, and the mark holder's role in bringing actions to dispel consumer confusion in the marketplace. Courts can identify other interests as well, but they should be required at a minimum to consider these interests (when applicable in the overall balance) with the other factors considered in granting a preliminary injunction.

Courts should be particularly cautious with the strong likelihood that free speech may be chilled at the preliminary injunction stage and lean toward not granting preliminary injunctions at that point.³¹¹ In balancing the factors in a case where free expression is implicated, the court should not issue a preliminary injunction unless there is an intent to deceive consumers,³¹² a demonstration of irreparable harm, and a clear likelihood of success on the merits, including perhaps strong evidence of actual confusion or dilution by survey.³¹³ This

speech interests).

310. This also includes the interest in ensuring that new competitors can enter the market.

311. See *Winter v. Natural Res. Def. Council, Inc.*, 129 S. Ct. 365, 376 (2008) ("A preliminary injunction is an extraordinary remedy never awarded as of right." (citing *Munaf v. Geren*, 553 U.S. 674, 690 (2008))).

312. *Cf. Maker's Mark Distillery, Inc. v. Diageo N. Am., Inc.*, 703 F. Supp. 2d 671, 701 (W.D. Ky. 2010) (noting that injunctive relief tailored to the infringement is favored especially where there is no evidence of defendant's bad intent.).

313. In *SMJ Group, Inc. v. 417 Lafayette Restaurant LLC*, 439 F. Supp. 2d 281 (S.D.N.Y. 2006), the court found that the plaintiff would likely succeed on the merits by proving a likelihood of initial interest confusion, but the court ultimately declined to issue a preliminary injunction (even with a presumption of irreparable harm) because there was no irreparable harm. *Id.* at 293-95. The court determined, in part, that: there was no lingering confusion after the consumer was initially confused; there was no diversion of consumers from use of the mark; and the defendant was not engaged in a for-profit enterprise, so there was no need to engage in a complicated disgorgement analysis. *Id.* The court also noted that an injunction might interfere with First Amendment expression interests, but it did not expressly analyze those interests under the public interest prong.

restriction is particularly important where the primary theory underlying the trademark cause of action is based on a persuasive—as opposed to a source-identifying—function.³¹⁴ Moreover, in cases involving dilution, initial interest confusion, and merchandising, the interest in free speech should outweigh concerns about lowering consumer search costs depending on the facts of the case.³¹⁵ Courts have engaged in similar analyses in trademark cases, such as the balancing of interests the Second Circuit exercised in *Rogers v. Grimaldi*.³¹⁶ In *Rogers*, the plaintiff claimed that the defendant's film *Ginger and Fred* created the false impression that Rogers was associated with the film.³¹⁷ The Second Circuit stated that

the [Lanham] Act should be construed to apply to artistic works only where the public interest in avoiding consumer confusion outweighs the

Id. Notably, the court separated the defendant's use of the plaintiff's trademark on the sheet of paper visible to the consumer from the expressive material inside the pamphlet in refusing to grant an injunction. *Id.* Thus, even if the court had issued an injunction, the defendant could have continued to pass out leaflets without the plaintiff's mark criticizing the plaintiff's treatment of its workers because the injunction would likely be narrowly tailored to prohibit the defendant's use of the plaintiff's mark. In *Network Automation, Inc. v. Advanced Systems Concepts, Inc.*, No. 10-55840, 2011 WL 815806 (9th Cir. Mar. 8, 2011), the Ninth Circuit noted that the actual confusion factor is not as important at the preliminary injunction stage. *Id.* at *9.

314. See Heymann, *supra* note 20, at 656-58 (advocating a view of the consumer grounded in autonomy theory that recognizes that “the consumer be left free to make whatever associations she wants with the marks she encounters, even if those associations are not the ones the markholder would prefer, or not the ones that would be optimal from the perspective of the individual's intellectual or personal development,” particularly as against theories of trademark law “that depend in part on the persuasive value of the mark rather than its source-identifying aspects” and that “recognition of consumers' autonomy interests suggests that the farther the doctrine moves away from instances in which consumer confusion as to source is the harm to be prevented—the paradigmatic trademark case—the less vigorous a role trademark law should play”); see generally Ralph S. Brown, Jr., *Advertising and the Public Interest: Legal Protection of Trade Symbols*, 57 YALE L.J. 1165 (1948).

315. See Heymann, *supra* note 20, at 659 (“In each of these areas [dilution, initial interest confusion, and merchandising], trademark law intervenes to limit the consumer's decision making in response to the persuasive value of the mark, channeling consumers' mental associations with the mark and thus impinging on autonomy that is necessary to discourse and personal development.”).

316. 875 F.2d 994, 998-1002 (2d Cir. 1989). Several other cases have considered or applied the *Rogers* test. See, e.g., *Facenda v. N.F.L. Films, Inc.*, 542 F.3d 1007, 1015-18 (3d Cir. 2008); *Parks v. LaFace Records*, 329 F.3d 437, 449 (6th Cir. 2003); *Mattel, Inc. v. MCA Records, Inc.*, 296 F.3d 894, 901-02 (9th Cir. 2002); *Cliffs Notes, Inc. v. Bantam Doubleday Dell Publ'g Grp., Inc.*, 886 F.2d 490, 493-97 (2d Cir. 1989), *superseded by statute*, 15 U.S.C. §§ 1114(a), 1125(a)(1)(A) (2006); *Volkswagen AG v. Dorling Kindersley Publ'g, Inc.*, 614 F. Supp. 2d 793, 809-11 (E.D. Mich. 2009).

317. *Rogers*, 875 F.2d at 1000-01.

public interest in free expression. In the context of allegedly misleading titles using a celebrity's name, that balance will normally not support application of the Act unless the title has no artistic relevance to the underlying work whatsoever, or, if it has some artistic relevance, unless the title explicitly misleads as to the source or the content of the work.³¹⁸

Courts should similarly balance the trademark owner's interest as well as the public's relative interests under the public interest prong in determining whether to issue preliminary relief. Courts could also consider not only the particular title of the work and whether it was used in a work of artistic expression, but also the type of confusion alleged and its cost to the various public interests. Moreover, courts could consider the interest of the public in not chilling free expression at this stage of the litigation. Courts could deny issuing a preliminary injunction even if under a *Rogers* analysis, the use of a title might be found to cause a likelihood of confusion that outweighs the public interest in free speech. An example may include the use of a title in connection with political speech.³¹⁹

If other interests are involved, courts must expressly consider those interests. To the extent that the user exercises its cultural rights, this interest should be taken into account and weighed against the mark holder's interest in protecting its goodwill.³²⁰ If a court finds sufficient proof of irreparable injury along with a likelihood of success on the merits and decides to issue a preliminary injunction, the scope of that injunction should be as narrow as possible to protect the public's interest.³²¹ For example, courts may authorize the use of disclaimers

318. *Id.* at 999 (citation omitted).

319. *See* Mastercard Int'l Inc. v. Nader 2000 Primary Comm., Inc., No. 00 Civ. 6068, 2004 WL 434404, at *4 (S.D.N.Y. Mar. 8, 2004) (finding "no genuine issue of material fact with regard to any likelihood of confusion between Mastercard's Priceless Advertisements and Ralph Nader's Political Ad").

320. *See* Carpenter, *supra* note 148, at 929 ("[I]ndigenous peoples' rights . . . [must be protected] to enjoy certain cultural rights respecting cultural participation, identity, and self-determination. One of the most apparent examples of such a conflict involves the appropriation of aspects of indigenous cultural identity to signify the goods and services of non-indigenous, commercial interests.").

321. Notably, Professor McKenna has argued that lately, courts have issued broad injunctive relief as opposed to limited injunctive relief and that a proper exercise of equitable discretion by courts (such as by using disclaimers), could mitigate some of the harms caused by overreaching trademark law in cases involving mixed consumer understanding, sponsorship or affiliation confusion, merchandising cases, and protecting speech values. *See* Mark P. McKenna, *Back to the Future: Rediscovering Equitable Discretion in Trademark Cases*, 14 LEWIS & CLARK L. REV. 537, 544-52 (2010). According to Professor McKenna, an effective use of equitable discretion may allow potential alleged infringers to better predict whether their use will be infringing or not. *Id.* at 552-53. In *Toyota Motor Sales, U.S.A., Inc. v. Tabari*, 610 F.3d 1171 (9th Cir. 2010), the Ninth Circuit noted that "[a] trademark injunction, particularly one involving nominative fair use, can raise serious First Amendment concerns because it can interfere with truthful communication between buyers and sellers in the marketplace." *Id.* at 1176.

to mitigate any possible confusion or dilution.³²²

Although a bond may be sufficient to protect the interests of the party that is enjoined, it is generally insufficient to protect the public's interest and the harm from the chilling of speech.³²³ The bond covers the costs and pecuniary injury of a wrongfully enjoined party, which likely will not include a consideration of the costs to the public.³²⁴ This proposal also addresses concerns raised by Professor Michael Grynberg—notably, that formalism may hinder the development of defenses adequately protecting important values impacted by trademark law, such as free speech.³²⁵

2. *Permanent Injunctions*.—The recent Supreme Court patent case *eBay Inc. v. MercExchange, L.L.C.* supports the proposal for courts to consider the public interest and balance each relevant interest against the other factors used to determine if injunctive relief should issue in trademark cases.³²⁶ In *eBay*, the Court specifically required balancing four factors in determining whether permanent injunctive relief should issue when a federal statute provides the court with equitable powers to issue an injunction in its discretion.³²⁷ Although that decision specifically concerned patent law (and the Court mentioned copyright law in its opinion), the same general principles in equity should also apply to trademark law. The *eBay* Court provided four factors that should be considered before granting permanent injunctions:

A plaintiff must demonstrate: (1) that it has suffered an irreparable injury; (2) that remedies available at law, such as monetary damages, are inadequate to compensate for that injury; (3) that, considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and (4) that the public interest would not be

322. Cf. 5 MCCARTHY, *supra* note 173, at § 30:3 (“In litigation between persons of the same personal name using the name as a trademark, it is common practice to balance the rights by a limited injunction which, while not preventing the use of a personal name altogether, requires some change in format, the addition of prefixes or suffixes, or disclaimers.” (citations omitted)).

323. See FED. R. CIV. P. 65(c).

324. See CHARLES ALAN WRIGHT ET AL., 11A FEDERAL PRACTICE & PROCEDURE § 2954 (2d ed. 2010) (“The purpose of . . . [Federal Rule of Civil Procedure Rule 65(c)] is to enable a restrained or enjoined party to secure indemnification for the costs, usually not including attorney’s fees, and pecuniary injury that may accrue during the period in which a wrongfully issued equitable order remains in effect.” (internal citations omitted)).

325. See Grynberg, *supra* note 24, at 901-02 (arguing that formalist courts are unlikely to expand or develop trademark defenses).

326. *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 391 (2006).

327. *Id.* at 391-92; see also 5 MCCARTHY, *supra* note 173, at § 30:1 (“The Supreme Court has said that when a federal statute provides that injunctive relief may be granted in accordance with the principles of equity, a plaintiff seeking a permanent injunction must satisfy the traditional equitable four-factor test before a court may grant such relief. In no case is a plaintiff automatically entitled to a permanent injunction.”).

disserved by a permanent injunction.³²⁸

Instead of assuming that irreparable harm is present and giving short shrift to the public interest factor, courts should be encouraged to weigh the public's interests and give them equal weight in comparison to the other factors relevant to permanent injunctions. The same public interest factors discussed above, including those favoring trademark owners and the public generally, should be expressly weighed by the court.³²⁹ The public's interests can be unpacked to include consumer, user, and competitor interests.³³⁰ Notably, at this point in the litigation, a court has determined that consumer confusion is likely, there is commercial use, and a defense that may take into account a public interest, such as fair use, does not apply. However, the court should still balance the public interests along with any showing of irreparable harm and an inadequate remedy at law, even with the prospect of likely consumer confusion.³³¹ Indeed, in cases where the public interest is great, the court may require evidence of actual confusion in the form of survey evidence.³³² That analysis should inform the court's decision whether to carefully craft the injunction using disclaimers (to mitigate the development of any consumer confusion) or issue broad injunctive relief.

Moreover, as Professor Grynberg argues, the current model of trademark infringement places the mark holder in the position of advocating for both the public's interest and its own—to protect its goodwill—against the defendant's interest.³³³ He asserts that this analysis results in courts tipping the balance toward enjoining trademark infringement in close cases; thus, it overprotects trademarks.³³⁴ He argues that courts should also recognize the interests of the consumers who are not confused³³⁵ and thereby balance out the equation.³³⁶ The present proposal would take into account the interests of the unconfused consumer, such as the interest in free expression and obtaining comparative advertising information, but it would do so at the preliminary and permanent

328. *eBay*, 547 U.S. at 391.

329. *See supra* Part II.A.2.

330. Notably, the court can also consider the alleged infringer's interests, which may overlap with user or consumer interests, in considering the balance of hardships between the parties.

331. *Cf. Cliffs Notes, Inc. v. Bantam Doubleday Dell Publ'g Grp., Inc.*, 886 F.2d 490, 495 (2d Cir. 1989) ("taking into account that somewhat more risk of confusion is to be tolerated when a trademark holder seeks to enjoin artistic expression such as a parody").

332. At least one scholar has criticized judges for treating consumers as "astoundingly naive, stunningly gullible, and frankly stupid" in assessing likelihood of confusion. *See* Ann Bartow, *Likelihood of Confusion*, 41 SAN DIEGO L. REV. 721, 723 (2004). Survey evidence is welcome where the public interest is implicated.

333. *See* Michael Grynberg, *Trademark Litigation as Consumer Conflict*, 83 N.Y.U. L. REV. 60, 72-84 (2008).

334. *Id.* at 61-64.

335. *Id.*

336. *Id.*

injunction stage through the public interest prong.

*B. Eliminating Enforcement Efforts as a Basis for Obtaining,
Retaining, and Expanding Rights*

Another way to curb the expansion of trademark rights to the detriment of values (such as free speech and competition) is to disallow policing of trademarks as evidence of secondary meaning and mark strength to determine infringement, genericism, and fame. For example, courts should not consider evidence of prior suits, cease and desist letters, or other policing efforts in determining the strength of a particular mark or whether it has secondary meaning. As discussed above, some courts have used this evidence to determine whether a mark has a high level of distinctiveness.³³⁷ Although this evidence could be circumstantial and indicate the strength of a mark (because it demonstrates that perhaps consumers have had less of an opportunity to associate a mark with a mark used with goods from another source), its probative value does not outweigh the harmful effects of chilling speech or impairing other important interests.

The courts' consideration of policing evidence provides an incentive for mark holders to send more cease and desist letters and file more suits to demonstrate that the mark is indeed a strong mark. By disallowing that evidence, courts will remove an incentive to use litigation to stifle potentially protected speech or deny consumers the benefits that trademarks provide in enhancing competition. Moreover, advertising and sales revenue could still be used to determine acquired distinctiveness, fame, and strength of the mark, but courts should carefully examine that evidence to determine how the mark is used in that advertising and the materials used in connection with the sales.³³⁸ However, because of the focus on consumer perception in trademark law, courts should still be able to consider evidence of third party usage of a mark to determine whether that mark has acquired distinctiveness, is strong, is generic, or is abandoned—but only third party usage in the product or service market or related markets of the mark owner.³³⁹

It is important to note that this prohibition would be solely on the policing of third party use for certain purposes. In other situations, this evidence is directly relevant—for example, to demonstrate that a party has not unreasonably delayed in enforcing its trademark rights so that a laches defense may not apply. Moreover, there is an additional concern with any rights arising from a failure to assert rights against a party, such as an implied license. In those situations, the evidence of policing activity for the purpose of demonstrating that a mark holder

337. See *supra* Part II.B.1.

338. This analysis is regularly performed in the trade dress context in examining the relevancy of advertising by only accounting for “look for” advertising in determining acquired distinctiveness. RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 16 (1995).

339. Courts should also consider third party usage in related and unrelated markets to determine fame.

has not delayed in enforcing its rights or granted rights to another is directly relevant and should be considered for those limited purposes.

These proposals can be viewed as complementary to other reform efforts such as Professors Lemley and McKenna's proposal to add a materiality requirement to the infringement inquiry in certain cases.³⁴⁰ This would narrow infringement to those cases in which a consumer would find the confusing use material in its decision to purchase for specific types of confusion.³⁴¹ The materiality element would be similar to the analytical requirements in determining whether a mark is deceptive or primarily geographically deceptively misdescriptive.³⁴² The proposals also complement Professor McGeeveran's revision of the fair use defenses, including: keeping or adopting by statute Judge Kozinski's commercial fair use defense to dilution claims; extending the news reporting and commentary exclusion to federal dilution actions to infringement; adopting a defense for artistic and fictional work; and creating a defense for trademark use in a political campaign.³⁴³

CONCLUSION

Trademark protection has expanded over the last seventy years. Courts, Congress, and commentators are now searching for a way to reconcile the rights of the relevant stakeholders. This Article highlights some of the problems with the policy and structure of trademark law that make it on one hand effective, but on the other hand ineffective in achieving its numerous goals. As previously described, the consumer search cost theory has not provided the best normative framework to anchor the development of trademark doctrine, and the rights of trademark owners are expanding. The first proposal in this Article attempts to ensure that other interests besides those of the mark owner are considered in awarding injunctive relief, while the second proposal attempts to rein in the mark

340. See Lemley & McKenna, *supra* note 99, at 445-46 ("The solution, in our view, is simple: not to categorically rule out cases involving those other forms of confusion, but to limit those claims so as to increase the benefits of those still actionable and decrease their costs. The easiest way to do so would be to import into trademark law the materiality requirement courts have created in the false advertising context and apply it in any case based on confusion that does not relate to source or control over quality."); see also McKenna, *Trademark Use*, *supra* note 14, at 825 (tentatively suggesting that a plaintiff "prove that the defendant's use is likely to cause confusion that will materially affect consumer purchasing decisions").

341. See Lemley & McKenna, *supra* note 99, at 445-46.

342. See *In re Cal. Innovations, Inc.*, 329 F.3d 1334, 1336 (Fed. Cir. 2003); *In re Budge Mfg. Co.*, 857 F.2d 773, 775 (Fed. Cir. 1988). For a discussion of geographic marks, see Robert Brauneis & Roger E. Schechter, *Geographic Trademarks and the Protection of Competitor Communication*, 96 TRADEMARK REP. 782 (2006) and Joseph C. Daniels, Note, *The Branding of America: The Rise of Geographic Trademarks and the Need for a Strong Fair Use Defense*, 94 IOWA L. REV. 1703 (2009).

343. See generally McGeeveran, *Fair Use*, *supra* note 121, at 115-21; William McGeeveran, *The Trademark Fair Use Reform Act*, 90 B.U. L. REV. 2267 (2010).

holder's efforts to create and expand rights through the enforcement of its marks. These proposals should limit some of the expansion of trademark law caused by its reliance on consumer perception dictated by the consumer search cost theory, and perhaps they will restore some balance to trademark law.